How to Make Operational Efficiency Your Secret Weapon

Contents

Contents

Introduction

It isn't just headcount or revenue that separates winners from losers in 2022. The real indicators are how intelligently teams allocate work, how efficiently they operate, and the strength of their focus on utilization.

At the same time, it's no secret that all businesses, big and small, want to clamp down on costs. According to McKinsey, 79% of all companies have cut costs in response to the global economic crisis, but only 53% of executives think that doing so has helped their companies weather it[1]. Even though there's a common-sense ring to trimming costs, research demonstrates that approaching operational efficiency with the aim to reduce expenses is not nearly enough. Data from PwC also suggests that less than 30%[2] of cost-cutting programs achieve their goals, and less than a fifth of these are able to harvest consistent rewards over the subsequent three years. So what is an optimal operational strategy, then?

Improving operations is not a one-and-done initiative. It is a combined effort that calls for optimizing processes, people, financials, and technology. There's no universal remedy that can replace a scalable business model and turn the company into a well-oiled machine overnight. Eventually, the financial viability of projects and services depends on the balance of all elements and is the result of continuous improvement. In this ebook, we deep-dive into the best ways to strike this balance and embrace change at all levels.

1 https://www.mckinsey.com/business-functions/organization/our-insights/a-better-way-to-cut-costs
2 https://www.pwc.co.uk/issues/data-analytics/issues/analytics-to-run-operations-more-efficiently.html

Chapter 1
Why Process is King

Processes are at the core of operations. Without scrutinizing how work is organized and understanding what's driving day-to-day operations, any improvements to the operational strategy will be built on weak foundations and quickly prove ineffective.
As numerous studies show, the real barrier to high operational efficiency is an abundance of work that could be automated, combined with a lack of structure. Not only do they consume too much time that can't be recovered, but they also stand in the way of successful delivery. Here's what can be done to tame both, respectively:

Automating repeatable work

It's easy to get bogged down by administrative duties that are repeated ad nauseum without producing any real value. This might come as a surprise, but across most industries, almost every core business process that's repeatable can be automated, from invoicing and project planning to knowledge sharing and financial reporting.

Take a consulting firm as an example. A lot of time goes to waste simply because too much of the administrative clerical work is sitting on your employees' desks. Steve Glaveski, former

EY consultant recalls **“countless six-figure earning colleagues painstakingly laboring over perfecting Powerpoint proposals for days, if not weeks, only for the prospective engagement to go to a competitor” and “auditors carrying folders of client receipts and bank statements everywhere; automation tools not so much.”**

At best, too much administrative hassle just kills time. At worst, it can immobilize your teams, introducing human error and preventing them from succeeding with their most important work. However, there are certain practices you can apply to turn this ship around. For starters, ask yourself what steps your business takes to deliver the finished product. Think both big and small. Seeing the big picture and being aware of the smallest detail will help you come up with the final checklist of ‘process offenders’ that need to be automated or entirely cut out. You’ll get better results revisiting processes along the entire value chain going through marketing, product, sales, customer service, delivery, finance, and operations.

When you’ve figured out the administrative net drains, it’s time to think about how you can leverage modern technologies to automate what’s cutting directly into your budget (tips on that in the last section). Increasing employee productivity by only 2% via process automation would have a surprising impact on overall success.

Weeding out work-intensive processes and reducing unnecessary data entry means your teams can get more work done. But when it comes to managing work, there are other processes that can be established to speed up the delivery process and reduce friction.

Agile or Waterfall? That is the question

As agile methodologies have started garnering widespread adoption, an ongoing debate has begun on whether agile really is the best methodology to follow to maximize product development e.g. features, ROI, and stability. Agile is not always a silver bullet and a sequential model like Waterfall might, in some cases, be a much better and more reliable solution.

To level the field first, Agile and Waterfall can be described as two different approaches for managing the project's lifecycle. Agile is favored by its supporters as being more flexible, collaborative, embracing change, and often suited for smaller projects where a minimum viable product (MVP) is crucial. On the other hand, Waterfall is more controlled and stringent, with progress measured by clearly defined sequential milestones and goals. Both methodologies are proven to work and fail for different types of projects. So which one is better for your operations?

With Agile the business value is delivered constantly and at regular intervals, whereas the Waterfall model delivers all business value at the end of the project. By choosing the Agile approach it can be easier to maintain control of the project with regards to cost, the return of investment (ROI), and overall business value. It makes the project much more transparent. In a Waterfall approach, it can often be extremely complex to see the total benefit of the project, until the project is very close to being complete.

This is not to say that Waterfall is not recommended. It works for projects with easily understandable requirements.

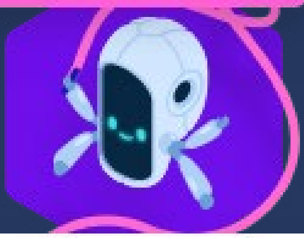
Since Agile is highly flexible, it simply does not have the structure that the Waterfall method has. Scrum projects tend to be hard to predict, from timelines to budgets.

Without a concrete plan and complete requirement set, everything remains a bit vague. Agile projects can easily go off the rails when project managers are unsure about the outcomes they want to achieve.

The ability to discern between Agile and Waterfall for different types of projects and clients can result in several business benefits. It could mean being able to quickly respond to new opportunities, react to change, and adapt to challenges in ways that you never imagined. We've come up with a list of prescriptions as to what methodology might work best for your scenario, clients, and teams.

Remember, these methodologies are not mutually exclusive for an organization. Sometimes, organizations prefer to take the best of both worlds and apply a hybrid methodology model to account for more risks. Hybrid Project Management is a child of Waterfall and Agile. It retains the thoroughness of project planning with the lean benefits of Agile. According to CIO, the beauty of the hybrid project management method is that it lets the team plan before starting to work on the project, but also divides the development cycle into short-term deliveries called sprints[1]. Seasoned project managers have learned to switch between different approaches depending on the environment they're working in.

1 https://www.cio.com/article/3222872/hybrid-a-new-project-management-approach



Agile	Waterfall
Project size and complexity is small (can be used on larger projects under certain circumstances) e.g. smaller eCommerce, websites, or app development projects.	Project size and complexity is large, e.g. large system integration involving many different systems.
The stakeholder is available frequently through the duration of the project.	The stakeholder cannot commit to extensive involvement.
External system integration is simple or not needed.	External system integrations are numerous involving many points (incl. legacy systems).
Budget and/or schedule are flexible and changes are welcomed.	Budget and/or schedule are fixed or difficult to modify.
Rapid prototyping and deployment required. Project/product can be launched without being feature complete. No clear picture of what the final product should look like.	Full-featured project/product required before launching. Expectations defined.
Resources are skilled, self-organizing, adaptable, and able to think independently without constant supervision.	Resources are in need of guidance, management, and supervision.
The product is intended for an industry with constantly changing standards.	The stakeholder does not expect major changes in the scope and knows exactly what they want.
Contingency reserves.	Contingency funds to allow for flexibility and reduce risks of budget overruns, usually 5-10% of the budget.

Chapter 2
How People Thrive

Establishing methodologies that work for your case and eliminating administrative load will prevent you from losing out on valuable time. However, those processes will never work without supporting people – the biggest asset of most organizations. Managing your employee time wisely and transparently, together with facilitating cross-departmental collaboration will do wonders for improving your operational efficiency and company culture in general. Let's take a closer look at what could be done to get this ball rolling.

Managing employee time wisely and transparently

When it comes to perfecting processes and procedures, it's important that you get into the trenches with the team and understand the ins and outs of service or product delivery in your company. Being on the front and keeping communication lines open, you'll get a better, granular understanding of what's affecting your operations. Sometimes it would mean shadowing your employees as they work to discern what's sapping value from your company and can be optimized. We've prepared a list of questions that you can ask yourself anytime to make sure things don't go sideways.

Are you 100% sure that nobody is overloaded with work?

Healthy company culture starts with healthy employees. We aren't saying anything revelatory by suggesting that overwork is closely linked to employee burnout. However, it's good to remind yourself and your employees from time to time that longer hours don't result in better output or more work done. On the contrary, research shows that regardless of our reasons for working long hours, excessive workloads work against us without helping us to improve the results.

A study of consultants by Erin Reid[1], carried out at Boston University's Questrom School of Business, showed that the output of employees working more hours wasn't any more than the output of workers who didn't work overtime. As a matter of fact, when asked to tell the difference between employees who worked 80 hours a week and people who just pretended to, managers couldn't spot any difference.

This is not to say that overwork has no effect on employee productivity and overall company success. Quite the opposite. According to research carried out by Marianna Virtanen of the Finnish Institute of Occupational Health[2], there's a strong link between overwork and various health problems, including impaired sleep, depression, heavy drinking, diabetes, bad memory, and heart disease.

1 https://hbr.org/2015/08/the-research-is-clear-long-hours-backfire-for-people-and-for-companies
2 https://www.newscientist.com/article/dn26793-long-hours-make-people-more-likely-to-drink-heavily/?ignored=irrelevant#.VSLIF5N4r6c

As well as unpleasant consequences for individuals, overwork is immediately reflected on a company's bottom line too, turning up in the form of unstable attendance, income, and rising health insurance costs. Needless to say, when employees register more hours, balance-sheet costs are incurred as well.

Do some of your employees sit on the bench?

83% of executives name resource allocation as the most critical management lever for spurring growth[1], according to McKinsey. Sadly, not all companies get the hang of how to do it right. Project and operation managers still fail to use resource allocation to their advantage. **"Poor resource management has seen the largest increase since 2018 and is now ranked as the 2nd top challenge to companies across different industry sectors in the United Kingdom and internationally"**[2] , remarks Vince Hines, a Managing Director at Wellingtone.

While overload can lead to employee burnout, boredom is eating your project's budget every single day and disrupting your productivity. A silent killer for your operating margin, underload can stay unnoticed for a long time, and adds up to significant costs. When some employees don't have enough to do their boredom can turn into a destructive force and become toxic to the extent that it will demotivate other co-workers. To avoid micromanagement, but be in the know of your team's productivity levels, there are specific targets you can set in your company:

1. https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/where-how-much-and-how-answering-the-hardest-questions-of-resource-allocation
2. ttps://wellingtone.co.uk/wp-content/uploads/2019/11/The-State-of-Project-Management-Report-2019.pdf

One of the main KPIs to track is utilization levels. Through this measure, you're able to track 'time spent productively' and compare and identify potential problems along the way. There are various ways to track this time and different methods and definitions of utilized time. It varies from business to business, but what is most important is that you keep a consistent process of tracking utilization. Overall, there are a few methods of measuring utilization levels. The method of choice depends on your business and preferences.

Resource Utilization, as the name suggests, measures the utilization of your available resources. It's the simplest means of measuring utilization. This method simply measures a team member's time spent on a specific client, internal project or business development. Thus, it includes all time spent in the business; both billable and non-billable time.

Billable Utilization, measures the total billable time spent on a client project or task. This method excludes any internal projects or business development, which might be a part of the schedule as well. Thus, the utilization levels calculated with the Billable Utilization method will naturally be lower than the Resource Utilization method. Taking this into consideration, an appropriate level to target would probably be between 70-80%, since there will always be time spent on other important tasks that are not directly linked to a client. Additionally, billable utilization tends to increase as the organization grows. The reason being, larger firms do not ask employees to perform as many non-billable tasks, as stated in 2020's Professional Services Maturity Benchmark report.[1]

1. https://spiresearch.com/2020/01/25/spi-research-publishes-the-2020-professional-services-maturity-benchmark-smooth-sailing-ahead-for-consulting-organizations/

The Realization measure is basically a measure of how much time was spent directly bringing revenue into the business. It is directly linked to the turnover and profitability of each client or project. Similar to the billable utilization method, it excludes both internal projects, tasks, and business development time.

If you don’t have a system in place to calculate the utilization rate, there are a few signs to watch out for when somebody doesn’t participate enough without drilling into the numbers. First, you might notice that employees begin to stretch tasks out for longer and more extended periods of time to appear busy and engaged. Second, they start to come in late to work, leave early, and call in sick more often than their counterparts. Third, the rest of the team is beginning to follow their example.

However, focusing too much on utilization is not recommended. Measuring utilization is a good way to assess overall company performance, but not so good when it comes to evaluating individual performance. Setting individual metrics across each function will help you approach employee time and productivity more wisely (more about that in the next section).

Do you have the right KPIs set for each team member?

Another thing essential to support people from day one, regardless of their role, is teaching them data literacy in the workplace. More specifically, setting KPIs for everyone. Determining the most valuable KPIs for each function across the company will not only be beneficial for tracking performance, but will also empower people and help them realize their part in the company's goals and objectives. Individual KPIs will help you maximize operational efficiency, but will also be beneficial for people's success in the long run. There are many reasons why KPIs are essential for employee engagement. KPIs strengthen morale at the workplace by acknowledging employees' hard work and contribute to the development of accountability. Having KPIs specified, employees will cultivate a sense of ownership, feel responsible for their work, and be more willing to push the envelope. Hitting their numbers, people will be able to recognize their strengths and personal contributions to the team. In growing companies, the distance between an organization's accomplishments and the individual's efforts toward them might increase.

Additionally, KPIs are the best tool to communicate business objectives across the organization, put them high on everyone's list, and keep them top of mind. It means that every piece of work assigned should be purposeful and relate to overarching business goals.

Employees' contributions can then be tracked against larger objectives. If you want more self-organizing and agile teams in your company, provide them with the opportunity to see how they're performing and you'll see a boost in engagement, performance, and personal growth, driven by the desire to increase the numbers on their dashboards.

When setting KPIs, remember that they should align with an individual's interests, strengths, or career aspirations. This will not only make your company a great place to work, but will have a positive impact on your operating margin. When work is personally important to team members, it will be done with more precision and concern for quality.

Do you know when to hire new people?

The challenge most companies face today is the lack of data determining whether a department or project team truly needs to hire new people[1]. Having an overview of the entire portfolio of resources[2] could not only inform hiring decisions but also give you a snapshot of who's fully occupied with work or doesn't have enough on their plates. If you're missing it at the moment, here's a list of signs and wake-up calls suggesting it's time to expand your workforce:

1. **Teams constantly overshoot deadlines, having more critical tasks than their capacity can handle**

1. https://hbr.org/2019/05/recruiting
2. https://hubs.ly/H0rRT5V0

2. **Customer/stakeholder complaints increase, as the quality of work suffers**
3. **You notice colleagues working longer hours more often than not**
4. **People ignore new ideas and initiatives, putting them on the backburner**
5. **Your revenue growth slows down as measured by opportunities that are turned down**
6. **Experienced team members are assigned basic tasks way too often as you're not crystal clear on their roles**

When hiring new employees, it's important to get the timing right. If you're too soon to hire, it can drain budgets. But if employers are late to bring on new workers, their overall capacity may suffer. It's smart to hire new employees when you anticipate critical work in excess, but your financial situation is solid enough to add the additional cost of a new team member. Remember that the usual hiring process takes eight to ten weeks and don't forget about the hidden costs associated with new hires, such as health insurance coverage or training programs. Thinking in advance will help you get new employees on board just before reaching a workforce crisis.

Facilitating cross-departmental collaboration

It's no secret that departmental in-fighting drains morale. What's more, 86% of employees and executives cite a lack of collaboration or ineffective communication for workplace failures[1], according to Salesforce. Unfortunately, there's no solution that can change it overnight. Removing obstacles on your team's way to flawless collaboration is an ongoing process. It starts with promoting a culture of honest communication at the top and extends all the way down to defining a healthy understanding of each team's role in the organization.

Success in today's marketplace will eventually be a reflection of the culture you promote, so it's really important to square the strategy here. Here are some practical tips that facilitate collaboration across all departments:

Keep everyone on the same page.

True collaboration is almost impossible without a shared vision and everyone being on the same wavelength. It may sound trivial, but keeping all departments in the loop and tearing down silos is a significant part of building an open communication culture. It can be achieved through specific steps and initiatives, like sharing the timelines and goals for each department and having a system that unites teams.

1. https://www.salesforce.com/blog/2012/09/nick-stein-work-post-2.html

An emphasis here should be put on how departments can’t exist without one another, as eventually, they all work on the same goal together.

Create a culture of psychological safety.

Google’s massive two-year study on team performance revealed that the underpinning of the highest-performing teams is psychological safety, the belief that you won’t be punished when you make a mistake and you can always count on your team members’ understanding and honest feedback. Psychologically safe workplace culture not only encourages mutual respect and synergistic relationships, but is critical for achieving excellent business outcomes, as the mastery of everyone’s area of responsibility increases. Here are signs you’ve achieved psychological safety:

- ✔ **Leadership admits their mistakes**
- ✔ **Everyone recognizes gaps in their knowledge and feels comfortable asking about things they don’t know**
- ✔ **Candid feedback becomes a routine**
- ✔ **All employee voices are equally respected and encouraged**

Lead by example.

People need a good example they can follow, so starting with leadership to demonstrate the behavior could be a great start to creating a culture of psychological safety. Employees need to see that it's OK to be human and slip from time to time. Leadership buy-in will nudge them to become less defensive, and the process will naturally turn into a more cooperative one.

Chapter 3
Maximizing Margins

In operations, numbers are everything. Good financial strategy is key to improving operations and scaling the company. Chances are you're always on the lookout for best practices in maintaining a consistent healthy margin. In the current service economy, with competition being on the rise, it's getting more and more difficult to decide on how best to finance the company and provide means for future growth. However, there are tried-and-true methods that could benefit any business.

Saying no to tiny margins

Too many companies find it difficult to avoid low margin work. The reason being the belief that it will help build the relationships with the customer. However, it doesn't take long to backfire by hurting workplace morale, punching your margins, and negatively affecting the financial viability of your company. Before entering the vicious circle of low margin service providers, let's lay a few facts out.

Less than one quarter of professional services organizations consistently achieve project margins greater than 40%. Clearly, there's no one-size-fits-all margin and every company's situation is unique. But how can one get into the quarter of successful businesses mentioned above, you might wonder?

You are probably familiar with the Pareto principle. Figuring out which 20% of your time produces 80% of your business' results, you could spend more time on activities that provide value and less time on net drainers. However, according to Steve Glaveski, an entrepreneur and thought leader, the Pareto, or 80/20 principle implies not just that 80% of your revenue comes from 20% of your clients, but that 64% of your revenue comes from 4% of your clients (and 50% of your revenue can come from just 1% of your clients). **"By focusing on this principle and creating offerings that the 20% or 4% would be willing to pay much more for than the rest of your customers,"** points out Steve, **"you can become more efficient and spare your workforce the pain of dealing with difficult customers in exchange for tiny margins."**

Carrying out a basic project financial analysis, you'll be able to identify projects and clients that are improving your operational efficiency or vice versa, slimming it.[1]

Investing in shorter-term gigs

It is more common for larger services businesses to engage in long-term projects. However, the daily rate of work on those projects has a higher chance to decrease significantly than on short-term gigs. Usually, longer-term projects require more documentation and infrastructure. Creating more administrative work, they can turn out to be less value-adding to your operating margin. In turn, short-term projects may have only one phase and require less planning, limited financial commitment, and minor administrative drains.

Additionally, daily hourly rate on shorter and more urgent projects is naturally higher and more expensive. In the end, you might be able to charge more money for a 1-day workshop than at a yearly consulting engagement. Following this less-is-more principle, services businesses can deliver the most amount of value in the least amount of time when there's a pressing need to increase cash flow.

A short-term project model can also be used to pay higher wages to employees whose skills are highly in demand and help them to understand which skills are most valued in their field. This is not to say that you should refuse to take on long-term projects.

1. https://hubs.ly/H0rRT6c0

On the contrary, if managed properly – with perfect workload balance, ongoing long-term projects can be great for creating a stable income and taking the pain out of constant searching for smaller projects. There's room for both, but it all comes down to how much risk your business can bear right now. The longer the project will take, the higher the likelihood of cost overrun is.

To make sure you're paid in the best possible way for your services, a choice is to be made in terms of the revenue models you'd like to adopt for different projects or business in general.

Time & material, fixed price, or recurring revenue?

There's a strong link between project margins and the revenue model companies choose as part of their financial strategy.

The findings of the 2020's SPI research show that typically, time and materials-based projects produce the best margins as long as bill rates are set appropriately.[1]

1. https://spiresearch.com/spi-research/reports/2020psmb.html

The survey indicated that IT Consultancies produced the best time and materials margins at 38.7%, compared to 36.9% achieved with fixed price models. As the time &material model assumes that the cost of the project is based on the actual time spent and an hourly rate, it is less risky than a fixed price commitment.

Yet another benefit, your teams become more adaptive to changing requirements without having to nail and plan all the work in advance. Eventually, paying for completed work can mean two things for your financial strategy – less uncertainty and more money saved.

In reality, however, you'll often meet customers who appreciate the simplicity of fixed price bids. While knowing the price tag for the project beforehand might be more comforting to the customer, fixed price agreements transfer risk to the provider.

The downside of fixed pricing, at least for some companies, is that everything should be set in stone. The scope of work should be defined before the project starts – meaning during the time when you know the bare minimum about your project. Fixed price revenue is more opportune for standardized projects with clear requirements from the client and deliverables decided upfront, but should be sidestepped for projects involving a lot of uncertainties.

Numerous studies show that most service providers do a poor job of managing change requests to ensure fixed fee projects are not encumbered with scope change.

If you can't decide what model to choose at this point, these simple questions should help you out:

- **Do you have all requirements and expectations front and center for the project? Are you sure what the final version of the service should look like? How good do you know the final product to be released? If the answer is no, then it's best to choose T&M. If yes, a fixed price bid is a go-to.**
- **Is managing financial risk critical for your business? Is it important to save costs at this point? If the answer to both questions is yes, the time and material model is a better option than fixed price bids, as it's more predictable and cost-effective.**
- **How adaptive, fast, and flexible do you want to be? T&M could provide you with the needed flexibility.**

In addition to T&M and fixed price bids, you might find relief in the recurring revenue model – retainers. Retainer agreements are gaining momentum as service industries hunt for more income stability. Among all pricing models, this is a wise choice, given the array of benefits retainer agreements bring to the company in contrast to one-off, fixed-price projects or time & material projects. Retainers don't only stabilize a fluctuating revenue base, they also improve client relationships and quell much of the chaos at digital agencies, for example.

According to Mike Skeehan, Managing Partner at one digital agency, **“Transitioning to a more retainer-based revenue model allowed us to build a team based on a volume of work that is predictable, enabling us to maintain appropriate levels of bandwidth to keep the work-life balance in check for our staff.”**

In fact, working in retainers proves to be favorable for both sides. Being paid on a continuous basis, you can focus completely on your clients’ needs and issues and deliver high-quality work, rather than spend an unpredictable amount of time looking for new clients that can pay you this month. In turn, your clients can rest assured knowing that you have a dedicated amount of hours, during which you offer your services, and you’re available. Cooperating on a retainer basis, you’ll most likely be able to forecast revenue more accurately than when using other pricing strategies. Knowing what to expect from the beginning, it’s becoming easier to calculate cash flow and maintain costs.

Chapter 4
Putting Tech to Work

Technology is a key part of ensuring maximum productivity. It not only helps to measure operational efficiency, but also offloads tons of administrative work from your team's shoulders and adds brains to your operations.

Challenges in measuring operational efficiency

You can't fix what you can't measure. Operational efficiency is a vague concept until it's translated into numbers. Nonetheless, companies often come to a point where they are overflowing with data scattered all over the place, not aligned, just to realize that it's not reliable because of a missing connection to how things progress in real time. In this data sprawl, even the most stolid and watchful operation manager may get lost.

Real-time visibility, however, is closely linked with higher rates of performance. Sadly, only 15.7% of respondents have comprehensive real-time information visibility, according to the latest SPI research.

Lacking visibility and transparency into how processes evolve, operations managers end up down the rabbit hole gathering bits and pieces of data and looking where to optimize. They can't discern how it relates to roles or specific milestones. For all their trouble, they rarely emerge with numbers they can trust and their decision-making can hurt business performance by being too reactive and subjective.

At the same time, the future belongs to companies that lead the competition and champion in operational excellence and innovation as they go. How do they actually know if their projects are financially viable, operations cost-effective, and businesses profitable right now, at this point? How do they measure that?

Removing barriers in the data flow & analysis

Dodgy data across project management, operations, and finance will only grow if you continue using color-coded antiquated spreadsheets as a single source of truth. It's often a hassle that slows teams down in a way that requires unnecessary administrative work of filling in a spreadsheet that is only used for payroll. Using a spreadsheet or disparate systems for resource management or time registrations, for example, won't get your company very far, simply because it isn't cut out for setting this data in motion.

Think for a moment, can spreadsheets answer questions like 'what's the current status of the project?' 'what's the operating margin?' or 'how profitable are the projects?

They can't, because there are only a few things a spreadsheet can automate. Thus, when a spreadsheet becomes your barrier to getting things done or moving to the heart of the problem quickly, you should think of another way to do work through which your personal KPIs could be improved.

Even when you've managed to gather the numbers, tracking how they relate to the actual operation is tough.

That is, each operation turns up to be a black box: inputs go in, outputs come out, and little analytical attention is paid to the inner workings of the transformation process. That's an obvious downside of point solutions across different vendors you're using, or, more importantly the lack of connection between these. To avoid this outcome, services businesses have started to implement centralized software.

Leveraging PSA software

A recent end-user survey carried out by SPI Research in 2017, proved significant improvements for firms that moved to Professional Services Automation Software, with specific returns including lower project cancellation rates, improved on-time and on-budget project delivery, lower budget leaks, higher resource utilization, and increased project margins.

The study concluded that for an average professional services firm the return on investment (ROI) is significantly high. According to SPI[1], professional services firms that invest in PSA implementation and software license costs can expect a 10x return in increased revenue within 5 years, and reduced costs on an ongoing basis.

Professional Services Automation (PSA) software is a full-suite platform that serves as the main hub for all business activities in project- or service-oriented industries. It's an overarching alternative to all of your point solutions spread across various vendors that gives you an extended real-time visibility. "Extended" implies that information flows across departments and functions, enabling employees to have a comprehensive picture of operations for faster and properly informed decisions.

The primary purpose of PSA software is to get data into perspective and provide executives with one real-time truth of the whole business, so they can scale and reach a higher level of sustainability. This is achieved by developing a variety of useful metrics across the entire business to evaluate basic business processes.

To record solid actionable data, typical PSA functions combine work automation, project management, resource management, time tracking, finance & billing, team collaboration, and reporting. The metrics might include, but are not limited to billable and non-billable utilization, actual vs. planned revenue, cost, and profit, project margins, etc., which provide insights that can be used to optimize processes and push the envelope.

1. https://www.spiresearch.com/spi-research/reports/2017psaeus.html

Ultimately, keeping everything available and connected in one place, PSA software allows for more swift and intelligent operations. To get even further in improving the efficiency of your operations, it usually integrates with accounting systems, like Quickbooks and Xero, or beloved project management systems, like Jira, giving you the opportunity to connect disparate systems together and own the big picture.

The benefits of leveraging technology won't be long in coming. When you embrace change and revisit the way you organize and track operations, you come to see trends in the projects that help you capture opportunities for your organization to grow. Only after seeing what projects or processes are earning or burning money, and being able to discern the differences by disassembling the numbers, can you finally start making informed decisions that take you closer to operational excellence.

Here's why businesses choose Forecast PSA

We're not a traditional ERP system doing everything half-way; we strive to bring you the meaningful platform that actually works and gets stuff done for you with minimal effort from your side. Deals are connected to projects, and projects are connected to resources. Time is being tracked, budgets are created automatically, and time entries are prepopulated to your accounting and billing software. Insights and reports are generated in real-time in Forecast, available at any time and shareable with your stakeholders, or kept internally.

Stacey McKinstry

Finance Manager

Etain

"We had a lot of different systems not doing very much. Forecast centralized a lot of information and gave management a view from the project's baby stages right through to the budget and profitability. It's a one encompassing system for everything" [1]

PSA software can become a game-changer for businesses that strive to scale sustainably by fine-tuning their operations and finances. The sooner you digitize your work environment, the earlier you'll start getting higher returns from your operations.

1. An excerpt from Etain Cuts Administrative Work by 50% with Forecast.

Conclusions

The future of operations for professional services, or other industries, is less about cost-cutting or headcount, and more about the optimal and smart allocation of resources.

In this ebook, we've gathered the key tips that could help enterprises move in the right direction, right into the future of sustainability and intelligence. Work automation, the culture of accountability, well-thought financial strategy, and technology – all play a significant role in fine-tuning your operations. Operational efficiency is a synergy of all processes and can be improved on condition that no stone is left unturned.

Chris Stegner
CEO
very big things.

"I look at our operations right now, and it's starting to feel like a well-oiled machine."

Forecast is an intelligent PSA platform, leveraging AI to improve your company's financial & operational performance.

Sign up for a free 14-day trial to get a better understanding of how you can put all your data to use.

Sign up