

# Running a World-Class Consultancy:

How to drive greater efficiency,  
growth and profit



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## 1. Executive Summary

Over the past half-century, there has been a dramatic shift to a service-based economy. Just as technology revolutionized manufacturing, we are starting to witness how the Professional Services industry, in particular, is changing. Every aspect of how services are sold, consumed and delivered has been impacted by technology. Technology has even been an enabler for new lines of service, or different delivery channels for traditional services.

For a Consulting business, technology has the ability to streamline operations, drive efficiencies, and ultimately deliver bottom line results; one report quantifies an 86% improvement in EBITDA. However, the anecdotal truth is that IT and Business Consultants are not poster children for the use of technology within their own businesses. Too many rely upon a patchwork of outdated systems, manual processes, email and Excel.

This paper will focus on the anatomy of a consulting organization, and how its internal operations can be made more efficient, particularly with regard to:

- Integration of processes
- Simplifying functions, and
- The impact of mobile technology

for managers, consultants and clients.

## 2. Introduction

In a career that has spanned 20 years, three continents and countless projects, I have worked for or run consulting organizations ranging from less than 10 staff to one of the largest Consulting businesses in the world. While there may be no silver bullet or secret sauce that differentiates a successful organization from a dud, there are many similarities between world class consulting firms.



*"If I can squeeze an additional day out of my workforce through better visibility and planning each month, I can more than pay for any technology solution."*

iBE.net Customer

Consulting always has been about the client. Focus on delivering a quality service, and you have a happy customer. A happy customer is a reference-able account, the best sales tool that there is. This in turn generates more opportunities, both within the original client and elsewhere.

Sounds easy? As a manager of a consultancy business, you need to focus like a laser on customer satisfaction.

Right, but to deliver a valued service, your business needs capable staff. However, good people are expensive assets. Like the assets of any business they need to be managed and used optimally. An expensive consultant that is not working on a client engagement is no different from a United Airlines 777 that is parked on the ground in Denver International Airport. Consequently the focus of any consulting manager must primarily be on utilization.

Secondly, project work is the backbone of any consulting business. A well-run project can mean the difference between success and failure, profit and loss. The problem is that running projects, particularly fixed fee engagements, is not easy. Managing tasks, resources and timelines, along with costs and revenues, is more than a full time job. Part time project managers are seldom successful.

Finally, there is the administrative burden. Once the size of a consultancy or project increases beyond a handful of staff, email and Excel fail to be efficient. Chasing time and expenses, re-keying data, errors, missed payments and lost timesheets consumes man-months of effort.

So, even though the ultimate success of a consultancy lies with a happy client, managing staff, project deliverables and administration combine to de-focus even the most committed manager.

The good news is that modern technology has also advanced and can come to the rescue of the beleaguered owner of a consulting business. Research suggests that an 86% bottom line improvement can be achieved through the use of technology; specifically a Professional Services Automation system (PSA also known PSA software).

### 3. Consulting A to Z

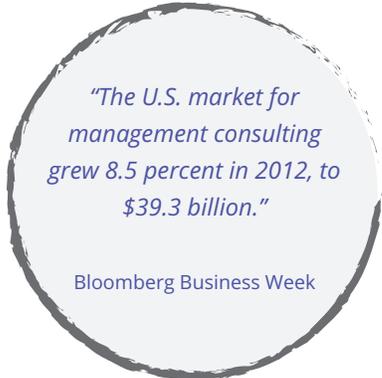
Compared to many industries, consulting is a simple business. A consulting company employs people, and it then sells those people to a client to deliver a service. If the customer pays more for the consultants than their cost, everyone is happy. However, if the fees collected from that customer do not cover the salary bill, plus other costs for management, selling and overheads, then the company is longer making money.

In reality, life is seldom that simple. One CFO with whom I worked always laughed at me for clinging to this belief with every change order, commercial contract or innovative new deal that we came to her with.

The truth is that in consulting, more than other industries, the devil lies in the detail. While on the surface the business processes may appear simple, there are an enormous number of variations to the basic contract to cash cycle. Contract terms, billing schedules, policies on expenses, on site versus off site, travel time, over time – the list is a long one, all can have an impact on how business is conducted, the flow of data, and of course, the systems required.

So in order to understand how to drive efficiencies, we need to analyze the business processes underlying an IT or Business Consultancy. For the purpose of this analysis, we have broken down the process into the following areas:

- Business Planning
- Pipeline Management
- Scheduling & Resource Management
- Project and Service Delivery
- Time capture
- Expenses management
- Customer Billing
- Reporting & Analytics
- Workflow

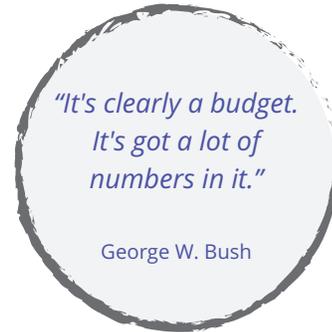


*"The U.S. market for management consulting grew 8.5 percent in 2012, to \$39.3 billion."*

Bloomberg Business Week

## 3.1 Business Planning

Every year business managers within Consulting organizations take part in the annual budgeting cycle. Frequently, consulting engagements are short in nature, giving an unclear revenue picture of the coming year. When less than 50% of the business' top line budget is under contract, planning can be more of an art than a science.



At the macro level, key market trends have a dramatic input on this process. For example, within the US, Healthcare consulting is growing significantly, but five years ago there was no such thing as consulting for mobile-devices. Today, throngs of consultants are helping organizations move to the cloud, and at the same time, my guess is that the market for agricultural consultants is stagnant for some time. By asking questions like "What will my customers be looking for next year?" or, "Must my salaries rise in line with the market?", the budget can be created with greater clarity.



Excel is the tool of choice in nearly all organizations, and rightly so. It is flexible, powerful and widely understood. I have worked on many heavier solutions, trying to standardize inputs, establish linkage between departments and tie in key metrics. Unfortunately, this has usually resulted in a solution looking for a problem. Overly complex procedures, data entry that is too onerous and hard-coded assumptions that were not validated have made these systems lose credibility with their users.

The budgeting process is hard, so using a tool like MS-Excel is the correct choice. However, too often multiple conflicting versions of the budget are produced as individuals adopt non-standard formats or change formulas. The trick is to gather the assumptions and high-level input needed from the relevant people efficiently, and use this to drive the data.

So in order to make the Business Planning function more efficient, our recommendations would be:

1. Establish clear high-level metrics and goals. Make sure that all stakeholders agree on these targets, for example, top-line growth, gross margin or headcount.
2. Use these goals to drive the data (and not the other way around). To achieve this, the current data must be available and accurate. Budgeting decisions made based upon inaccurate data can have a significant impact on the overall results. For example, if I believe that my average utilization rate for this year was 70%, but in reality it was 64%, then my budgeted bench costs will be off by 20%.

3. No budget should be created in a vacuum. Streamlining the process of collecting input, publishing revisions and approving forecasts is essential for a smooth, transparent process. Workflow (Section 3.9) is a useful tool to enable this process.
4. One version of the truth is crucial. The budgeting assumptions, inputs and results should be updated centrally and shared with all stakeholders

## 3.2 Pipeline Management

“Top-line” revenue is the lifeblood of any business. In order to have revenue, there must be customers, and for there to be customers, there must be a sales process. Consequently, the management of the sales pipeline is critical to the survival and growth of any business. The sales process in a consultancy is much like any other organization, with the difference being that the product being sold is intangible.

There is no product review, demonstration, or trial period with a services business. You are reliant upon other selling methods, such as case studies, trade shows or articles demonstrating thought leadership.

The sales process for an intangible product may be different from a traditional one, but some kind of process needs to exist. A necessary input for the scheduling process in any consultancy is the visibility of future work.

This will also impact decisions on pricing, headcount and training. Consultants, by their nature, are interested in the “shiny object”. A new client, different engagement, or the latest RFP always seem to take priority over existing accounts. While understandable, this may not be in the best interest of the business, given that selling to a new customer is an order of magnitude more expensive than to an existing customer<sup>3</sup>. It is just as valuable for a consultancy to sell a resource to existing client “A” as it is to sell to new client “B”. Consequently, any Pipeline Process must take account of extensions and wins at existing clients, not just new business.

There may be circumstances where it is important to open up a new market, or where a star consultant on an existing account should be moved to the new client. However, this is a strategic decision and needs to be made with consideration of the harm that the move would do to the existing customer, and not just the benefit it would bring to the new engagement.



Customer Relationship Management (CRM) tools are fast becoming widely used within service based organizations. Salesforce.com became hugely successful by giving sales professionals a process to follow, and providing managers visibility of the process. By bringing data together in one place, consistent decisions can be made. The first trick of a valuable CRM is to ensure that it is widely used. Consequently, don't let technology get in the way of process and information. By not over-complicating processes, the system is more likely to be adopted and in turn improve the quality of the information.

Proactively managing prospects, sales activities and existing accounts will allow more accurate forecasting of revenue. At one level, this is not difficult, but as a consulting operation grows it becomes harder to complete successfully. We believe that the Pipeline Management process can be made more efficient with the following recommendations:

1. Have a process, and ensure that it is understood and adhered to. This sounds very basic but too frequently selling, and consequently the visibility of future work, is haphazard and not process driven. Many times partners or senior managers are the focal point of selling. While they may try to structure a sales process, where they are the focal point, once things get busy, the good intentions are gone and the process breaks down.
2. Ensure that existing accounts have at least as much visibility as new business within the process. Any staffing decisions can then be made with full visibility.
3. A CRM system can be a powerful tool. However to be used optimally, it must be seen as an integral part of the process.
4. Shared, timely, accurate data is vital for optimal decision-making. If different stakeholders are looking at different data, they will make different decisions.

## 3.3 Scheduling & Resource Management

The management of resources to deliver optimal revenue is the holy grail of any consultancy. Consultants are generally expensive resources and any day not spent billing a client is a lost opportunity. Like a seat on a plane or yesterday's newspaper, there will never be an opportunity to sell that day again. Consequently, once macro level business planning has been completed, the focus of the consulting manager must shift to the tactical planning of projects and resources.



*"The magic formula that successful businesses have discovered is to treat customers like guests and employees like people."*

*Tom Peters*

Running a lean enterprise is the goal of all IT and Business Consultancies, but can leave an organization vulnerable to changes in demand caused by delays, schedule changes or unexpected new wins. Failure to provide staff with the right skills will adversely affect delivery, causing further delays, and even resulting in permanent damage to the firm's reputation.



Conversely, having sufficient bench strength to satisfy all possible requirements means that the gross margin earned on all engagements must be sufficiently high to compensate for the resources that are being unutilized. So, managers of consulting businesses find themselves between a rock and a hard place:

few staff and they are unable to deliver contracted work, too many resources and they go out of business.

Planning is the hallmark of successful consultancies; the visibility of supply versus demand is essential. As soon as schedule changes are made, or as soon as new projects are signed, those dates are visible to managers and HR. Managers must be empowered to make the best possible business decisions based upon the information available.

With business planning being an information-based activity, the availability of accurate and timely data is key, which means that technology has a role to play. If the quality of the data is poor, or is locked away as “silos” of information in personal spreadsheets, the quality of the decisions will also be poor.

However, scheduling is only half of the issue, since consultants are not simply “resources”. The management of consulting personnel can be problematic. The best invariably have huge egos and those who have hot skills are highly aware of their value to the organization. Consultants need to be treated more as expensive assets as opposed to resources. Every employee should have clear lines of reporting. The line manager should be responsible for longer-term career goals as well as short-term performance of the individual. It is essential to police this relationship to ensure that regular reviews take place and that the required training or professional development is appropriately scheduled. This not only results in the development of the company’s assets, but it also helps identify poorly performing individuals so that corrective action can be taken.

Over the past five years, the focus of HR systems has moved away from traditional Human Resource Information Systems (HRIS) covering off typical employee administrative functions to systems focused on Talent Management. These systems not only provide a platform for managing statutory or corporate HR information, they can also enable accurate feedback from a range of sources (including clients) to be captured and input. That is not to say that basic HR information is not important. Storing personal, business and contract data (including W2s, I9s, etc.) in one secure place is a great start. Using additional data such as shifts, absences and rates for optimal workforce management can provide a bigger benefit to the organization. For example, get the vacation allowance of your top consultant wrong, and he/she will spend a morning on the phone with HR and his/her manager correcting the mistake as opposed to focusing on his customer and project.

To achieve better results within the area of scheduling and resource management, our recommendations are to:

1. Ensure the collection of data is as easy as possible. Build this into existing processes, such as collecting estimated end dates when booking hours.
2. Have one source of information. Sharing a common spreadsheet on a shared drive is a start, but integrating this into the scheduling, recruitment and staffing processes is a far better solution.
3. Make information available to all stakeholders. The use of KPIs, graphical dashboards and common metrics will make the data more digestible to the multiple interested parties.
4. A performance appraisal system should be used to manage the careers of the consultants, as well as providing valuable input into the scheduling process.
5. Talent managements systems where data on past assignments, manager and client feedback in addition to career goals, can reside in one place, provide an organization with a tool to manage their employees like important assets.

## 3.4 Project & Service Delivery

The cornerstone of any successful consultancy lies in its ability to deliver value to its clients. The very nature of consulting work means that in almost all cases, the work will be carried out as part of a project. I believe that a key differentiator for successful consultancies lies in the quality of their project management. A well-run project can mean the difference between success and failure, profit and loss.



It has been said that to be a successful project manager, you need to know three things:

- Where you want to get to
- Where you are
- How to get there

The first of these is the most obvious and should need little explanation (but strangely I have witnessed a number of projects where this clearly was not the case). The second is usually the hardest to answer, and the third relies on the skill and experience of the Project Manager (which is why they get the big bucks).

So, why is it so hard to know where the project is? I believe that here are three reasons: Firstly, is the management in full command of the facts? In other words, do they know everything they need to know?



Once again, the experience of the Project Manager will be essential in correctly scoping the work, but having all data relating to the project in one easily accessible place will improve the flow of information and minimize this risk.

Secondly, are decisions being made using the correct data? If the methods for collecting data are not timely and complete, then the data that is being used to make decisions is inaccurate, inevitably leading to incorrect decisions. This issue becomes exponentially harder the larger the project gets. Consequently, daily breakfast meetings become the staple of many projects during critical phases. Today, the use of social media type applications within the enterprise to improve the process of capturing data, or systems that can update status while the team member is booking time, are becoming more common. By making the collection of data easier, the likelihood of accurate and timely data increases.

Finally, do you have confidence what you are being told? I once worked with a Project Manager who stated, "If anyone tells me they are 90% done, I simply don't believe them." It is human nature to be optimistic and tell people what they want to hear, but inexact statements relating to the work remaining, even if made with the best intentions, kill project deadlines. Once again, there is no substitute for experience when it come to interpreting this data; however, the quality of the data can be improved based upon on the quality of the questions asked. For example, there is a huge difference between:

"Are you almost done with that report?" and, "How many more hours of effort are required to complete that report and will it be finished by Friday?"

Asking the right questions, capturing the answers and using that data effectively will give a huge boost to project visibility.

Once we know where we are with a project, clear communication of status to the project stakeholders is essential. Measurement of everything is important, but the communication of the results is critically important. I once worked on a project run by IBM (a company for whom I have a huge respect), whose Project Manager would spend many days of effort each month (and the focus of the entire project office) producing charts for the Steering Committee that no one understood. Even the Project Sponsor stated, "If they mean something to you, then you can keep doing it, but your reports mean nothing to me." Simple, easily understood, and actionable KPIs are the best way of communicating project status to a wide audience.

As stated, good project management is central to the success of a consulting organization.

There is no substitute for skilled, experienced Project Managers; however, we have recommendations that will improve the chances of success:

1. Make the collection of project data frictionless. Be it time entry or estimates to complete, the easier this process is made, the more likely it is to get done in an accurate and timely way. Collecting data regularly introduces a cadence to the project that will reinforce this process.
2. Ensure that there is one version of project progress data, and that is available to all decision makers. People who use the same data are more likely to make the same decisions.
3. Know what you don't know. This ultimately will depend on the experience of the project manager. No technology solution can completely compensate for the skills and experience of an individual, but while a shared repository is essential, the use of a project collaboration tool will greatly improve its usefulness.
4. Use metrics and KPIs but don't become a slave to producing them. Key metrics should be relevant, actionable and easily understood.

## 3.5 Time Capture

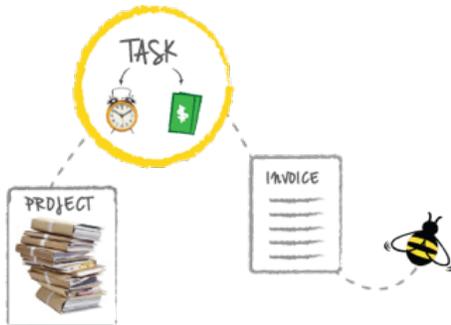
It is an irrefutable fact that in the Consulting industry, absolutely nobody likes entering his or her time. CFOs have sleepless nights getting consultants to put in their time and for good reason. IT and Business Consulting organizations make money by selling people – which is in effect, selling time. If that time is late being reported, then it is late being invoiced (assuming that it can still be billed), and that will have a direct impact on cash flow. Worst still, if billable time is “missing” or never recorded, then this is really lost revenue. I was with one of our clients last week who could justify the expense of a new integrated system, based solely on the additional billable hours that she could account for given the improved tracking of time.



Part of the solution is to make the process as easy and as fast as possible to complete. Make the choices that consultants are given obvious, allow them to copy timesheets or hours, and default as much data as possible. Allow consultants the ability to enter their time from mobile devices so that time waiting in airport lounges, on the train or even in the hotel bar become productive.

Consider the impact of a consultant saving 10 minutes of effort per time sheet, which is not unreasonable compared with the alternatives. Consider:

- The time taken to log on to a separate system, navigate through complex menus, select tasks, enter time, or



- Fill out an Excel spreadsheet, save it and send by email, or worse,
- Fill out a paper form and find a fax machine.

Over the course of a year, a company of 50 will save over \$20,000 in consultant's time (assuming an average salary of \$100K). Now of course, this doesn't go straight to the bottom line, but it is indicative of how much effort could be channeled into value-added tasks.

It is important to optimize the time capture process to ensure that it gets done, but it is more important to ensure that the time management process is integrated into the overall business. Often overlooked is the time taken to detect and correct errors, which can be a significant hidden cost.

There are three areas of integration that are of value to a consulting organization:

**Firstly**, integration with the Project Management system: Consultants should book their time against valid project codes. Those codes need to be correctly assigned to the individual as well as open to accept time for the time period in question. Paper based procedures, Excel spreadsheets or stand-alone time entry systems must somehow align with the Project Management system to ensure the validity of these codes. Additionally, users should be able to enter remaining hours, ETC or percentage-complete information at the same time as they are entering their time. Projects and tasks can be dynamically updated with these figures, thus automating the project status reporting.

**Secondly**, integration with the billing system: Frequently, timekeeping errors are not caught until customer billing (and sometimes not caught at all until they are questioned by the customer). The billing system must have complete visibility of the time that has been entered, and in this way time can be reconciled, missing time identified, and the organization confident that customer invoices reflect the full value of time worked.

**Finally**, integration with the organization's HR system: Every organization will have a different view of how time needs to be approved. The workflow for the approvals process needs to be sufficiently flexible to allow for changes in process, vacations and complex paths. Many organizations have talent management solutions where billable targets are a fundamental goal. Lastly, there should not be parallel systems for time entry and paid time off (PTO). Approval and booking of vacation should be part of the time management process.

Our recommendations to make the time management function more efficient for a consultancy are as follows:

1. Make the process as easy as possible to use; this will maximize the possibility of full adoption and its efficient use, thereby reducing costs.
2. Ensure that the system is as integrated as possible into the rest of the business processes. While manual systems or point-solutions are harder to integrate, it is essential to ensure that data is accurately recorded, and reconciled

## 3.6 Expense Management

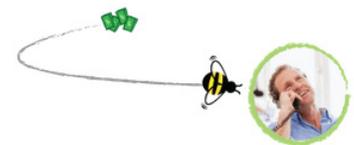
I once had a colleague who made no attempt to adhere to the expenses reimbursement process laid down by the company. Every 3 months or so he would send a shoebox full of receipts to finance and expect someone to sort out what he was owed. What should be billed to the client was a secondary consideration. Surprisingly, given the person's perceived value to the organization, this behavior was tolerated. Having shared this anecdote, I understand that this is not an uncommon occurrence within the consulting industry.



Expenses are seldom more than 20% of the engagement fees, yet seem to be the cause of some of the biggest issues, for both the consulting organization and the individual. After salary and vacation allowance, the most sensitive area concerning an employee is their expenses. Get this wrong and the management overhead can be immense.

From the organization's perspective, invoice payments can be held up for months due to missing receipts and documentation. This is hugely frustrating as it only relates to a small part of the invoice total. Also, the cost of chasing up missing data and managing the collection of supporting documents is frequently overlooked as a cost of doing business. Integrating the expense reimbursement process into the core client invoicing process can both reduce effort and reduce errors.

A powerful expense management system will allow the organization to embed procedures and policies directly into the expenses process. Maximum daily allowances by state or mileage rates can be picked up automatically, ensuring compliance to corporate and legal regulations. Non-billable or large value items can be subject to their own approval



flows in line with any corporate responsibility matrix. In this way, errors can be trapped at source, policy exceptions minimized, and the status of any claim is clearly visible.

Even today, many organizations have paper-based processes to manage receipts. The collection of receipts, mailing to a central point for storage, and inclusion on a client's invoice is a slow and labor-intensive job. Technology is now available that can streamline this process, making it faster and more auditable. We all carry smartphones with cameras on them. Snapping a picture of the receipt, annotating meta data with time, location and purpose, and storing in a cloud-based account will allow that receipt to be matched to an expense item for inclusion as part of a claim.

More advanced systems even allow the receipts to be read using OCR, so that data like the amount, vendor or even VAT number are automatically stored. Additionally, some systems can link to a bank or credit card, largely eliminating data entry. Each of these advances, reduces the time an individual consultant needs to spend on administration, freeing up their time for client-facing or billable work.

For consultancies working on government contracts, the specter of a DCAA audit looms large. For these companies, it is particularly important that any expense management process has clear visibility of all status, responsibility and history.

The electronic tracking of expenses can benefit any IT or Business Consultancy. Here are our recommendations to make the process run more efficiently:

1. Make the process as easy as possible. For people to embrace the process it must be easily understood and fast to execute.
  - a. The use of mobile technology to record expenses from the road and directly capture receipt images will help with the adoption of the process.
  - b. Minimizing data entry, for example by importing transactions directly into an expense claim, will greatly speed up the process.
2. The expenses process must be integrated into the order to contract cash cycle. This will minimize invoicing errors and disputes with customers. The discovery and correction of errors is very costly for the organization.
3. Use electronic methods to manage receipt images. The processing, storage and audit of paper receipts is an incredibly labor intensive task. There are enormous potential savings by moving to an image-based workflow.
4. Embed company policies on expenses and approvals directly into the process. Ensure that unallowable expenses are rejected at source and that the correct authorizations are applied to both billable and overhead costs.

## 3.7 Customer Billing

The customer invoicing or billing function is frequently overlooked within consultancies. “We’ve sold the job against tough competition, we delivered the impossible project, so how hard can it be to get an invoice out of the door?”

The truth is that the invoice is at the end of the line, so all aspects of the engagement need to come together, and frequently this can be a labor-intensive process:

- The commercial terms of the contract need to be reflected in the invoice
- Client references, such as the PO number, need to be included
- Only the valid time entered against the project codes can appear on the invoice, however all of the time for the invoicing period must be included (there may not be an option to include missing time at a later date).
- Only allowable and approved expenses can be invoiced (and in some cases against different PO numbers), and these expenses may need to be uplifted for certain clients
- For fixed fee invoices, evidence of progress or milestones may be required
- The data on the invoice needs to appear the way the customer wants it to, and customers may have different preferences
- Supporting documentation, such as approved timesheets or expense receipts, may need to be included as part of the invoice

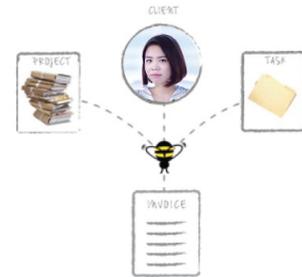
So invoicing is very difficult to get right. But get it wrong and some customers will seemingly take delight in holding up payments until every last wrinkle has been ironed out.

I believe that the single biggest improvement that a consultancy can make in its operational efficiency is to invest in an integrated billing solution—one integrated process that tracks all items from creation to billing, eliminating missed charges and reducing errors. The time saved by not having to chase down booked time, manipulate expense entries, or correct errors will be huge. Also, having the confidence to know that all time has been entered, approved and billed at the end of the month means that invoices can be sent out faster, reducing metrics like daily sales outstanding, and allowing staff to focus on higher value tasks like reporting.

The concept of self-service can equally be applied to customers. Allowing customers access to billing systems via a dedicated portal, to view invoices, query time, or access expense documentations like receipts, can save the already burdened accounts department valuable time. Answers are immediate, queries can be logged directly, and it is even possible to collect payments in many of today’s systems.



It can be very easy to justify the cost of an integrated billing platform. Even catching one missed hour per month across the entire workforce could pay for the new system. There are also non-financial benefits, like increased customer satisfaction with higher levels of detail or responsiveness. Finally, there are other reasons to invest in an integrated solution, namely, enabling new processes.



I am currently working with a client who is experiencing a fundamental shift in the market in which he is operating. The market for his services has matured. Large multi-phase projects are generally a thing of the past, and the work that now exists is characterized by much smaller engagements. So to survive, he realizes that he must change his focus to a greater volume of lower value clients. This, unfortunately, is putting a strain on the back-office accounting support, and given the lower margins that he is experiencing, he is unable to invest more in his billing staff. His solution is to streamline his project management and billing process, and make his project managers responsible for their

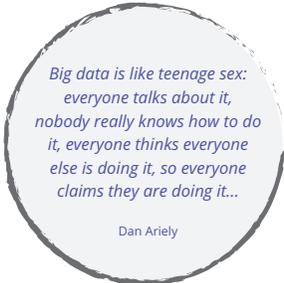
own billing. Accountants would then only be responsible for a handful of large accounts and collections. This innovative approach is only possible because he is using an integrated solution.

For IT and Business consultancies wishing to streamline their billing operations, our recommendations are as follows:

1. An integrated billing platform is key to creating an efficient end-to-end consulting operation.
  - a. Errors can be reduced, saving time checking and correcting
  - b. Billing is more accurate: reduced instances of missing time, improving customer satisfaction
  - c. Time is saved: with all data on one system there are no delays waiting for transfers
  - d. Supporting documentation stored: source documents like POs, receipts or authorizations are stored and linked
  - e. Improved information: project status, progress against budget and PO coverage are all linked
2. Invoicing needs to cope with all commercial engagements. Time and Materials billing is one area, but billing systems need to be able to cope with flexibility on rates, fixed fee, retainer and NTE agreements.
3. Extend the reach of the organization: innovations like customer portals and mobile access can improve the flow of information, making the process more efficient.
4. Authorization workflows: A customer invoice is arguably the most important document that is issued by a company. It must be approved by the appropriate person.

## 3.8 Reporting & Analytics

Sir Francis Bacon, the 16th century British philosopher coined the phrase “Knowledge is power”. What may be more applicable in today's enterprise is “Information is Power”. Every consultancy would dearly love to know who their most profitable customers, projects or staff are, but very few actually do.



*Big data is like teenage sex:  
everyone talks about it,  
nobody really knows how to do  
it, everyone thinks everyone  
else is doing it, so everyone  
claims they are doing it...*

Dan Ariely

Traditionally, the reason has been that it was hard to do. When time is entered on one system, invoices are generated on a second, employee costs exist on a third, and the corporate structure only exists in Excel, it is easy to see that by the time data has been passed between all of the systems, not only are the results suspect, but because it has taken so long, it is time to start collecting data all over again.

Nearly all consultancies that I have worked for or with have had a reporting backbone where Excel was a key part. Excel is an excellent tool and any manager needs to be able to extract data from a PSA into Excel simply. However, with every download, the data becomes one step removed from the source, and when multiple different spreadsheets exist each pertaining to contain the same data, life gets confusing.

I have one client at the moment where the month end reporting pack consists of a 10MB spreadsheet that is sent by email around the group. As one country head commented, “It looks like it was designed by NASA.” Now this may be a perfectly valid solution, but in its current format the reporting is so complex and cumbersome, this company is still several months behind in closing its books. Consequently, they are looking to move to an integrated solution, where the key metrics are built into the processes, and the financial reporting pack is not driving the KPI.

Each organization will have its own metrics, but there are a number of reports that are the staple of every consultancy:

- Missing time
- Consultant utilization
- Project Margin
- Customer profitability
- Profitability by service line
- Unbilled hours
- Expenses breakdown

But the value of the reporting system should be determined by the flexibility of the tool, not just what is part of the delivered system.

Today's technology allows us to do many things with data, without it necessarily needing to be tagged as "big data". Centralizing the repository of all data within the organization is a necessary first step. Using tools like in-memory databases liberate us from the straitjacket of the database schema, meaning that it is very easy to construct reports creating relationships on the fly. Now when a consultant works on a project, his costs and revenues can be reported against a whole range of criteria, not just the dimensions that the data structure assumes.



The project, the customer, the division he belongs to, his peers, and so on can be included. Also, data doesn't need to reside within time buckets—simply specify from and to dates and the metrics appear.

Advances in UI technology now mean that good-looking charts can be created directly from the reporting package. User generated dashboards mean that any key business metric can be presented in a clear, graphical manner. No more manipulating data in Excel and power point for presentations needed.

However there is a caveat, and that caveat is, "garbage in garbage out". The reporting data is only as good as the quality of data that is contained within the system, and that is completely reliant upon the data input by a wide cross-section of people. For this reason tight integration is needed between the reporting system and the source data. The more systems that are being consolidated into a reporting system, the harder the job to maintain consistency will be. As soon as different values are seen in different parts of the business, confidence will be lost in the information that is being presented.

Finally, information is of no use unless it can be communicated. There needs to be a way of distributing the reports to the interested stakeholders. With today's cloud-based systems, links can be emailed to the appropriate online report. Dashboards can even be constructed on tablets or other mobile devices for up-to-date information on the go.

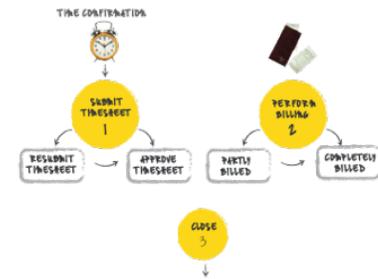
The reporting system that a consultancy uses is like an umbrella covering the entire organization. Our recommendations to use this optimally are:

1. One version of the truth: all reporting data should reside in one area, but this information should be consistent across the organization.

2. Operational vs. Analytical: Operational or source data should not be ignored. Tactical operation reports need to be available, with the ability to download to a light-weight analytical tool like Excel.
3. Deliver a set of corporate reports with consistent metrics and KPIs: the use of graphics (e.g. pie charts, bar graphs etc.) can enhance the acceptance of these reports, particularly with casual users.
4. Allow advanced users the ability to create their own dashboards: this will reduce the reliance on corporate IT and empower managers.

## 3.9 Workflow

Over 20 years ago, when working for a small consulting organization, I remember being introduced to workflow as “the next big thing”. Now, 20 years later, the adoption of workflow to support business processes is still not as widely in use as I would have imagined.



I believe that one reason for this is that the workflow packages available today fall into one of two categories:

1. The workflows are overly simplistic and cannot be modified. As soon as the business has a process that deviates from the standard then these processes are of no use and are switched off or not used.
2. The package delivers a blank canvass that tries to cater for every eventuality. In doing so, it requires a very complex set of steps to get right. Many organizations simply do not have the time or resources to complete this process.

However, the more likely reason is that for most organizations, processes span across a number of disconnected systems. Any workflow package would need to sit on top of all of the systems, meaning that it would probably fall into the second category above – and so most organizations would not even entertain the thought.

The lack of widespread adoption is therefore not a surprise, but disappointing since it can bring great benefits to an organization:

Firstly, the very act of implementing a workflow to support a process necessarily means that the process will be analyzed and optimized. Key steps are highlighted, redundant steps removed and that process will be executed with greater rigor. Company policies (such as approval limits) can be included as part of the workflow, and if required, ensure Sarbanes-Oxley compliance.

Secondly, responsibility is clearly assigned and measured. This will remove ambiguity and allow status reports (e.g. how many invoices are not yet approved) and metrics to be created (e.g. time to approve, number of rejections). Of course the workflow system will need to account for absences and delegations in the event that the responsible person is unavailable.

Thirdly, workflow will remove paper from the process making for faster communications, reduced cycle times and clearer audit trails. This reduces wastage and results in cost savings.

Finally, management overhead will be greatly reduced. Knowing that tasks are worked on and completed by the right people, in the correct order will remove much of the administrative burden from managers. Being able to see on a simple report the status of all processes and items removes much of the telephoning and emailing that takes place in many consultancies.

Of all the core processes that we are looking at, workflow is the one that will vary the most from organization to organization. However there are some key recommendations that are applicable to most consulting companies:

1. Workflow is a valuable management tool for your business.  
A simple application of business workflows can enable more rigorous processes, create greater visibility of status and reduce administrative overhead. However, do not over-complicate the design or implementation of the processes since workflow is tricky to get right.
2. To implement a workflow system successfully, the existing processes must be well understood and already optimized. Workflow isn't going to fix an already defective process, but it will enhance one that already works.
3. Choose the workflow package carefully. This is one area where one size doesn't fit all. Since every organization is different, you need to have sufficient flexibility to meet the needs of your organization.
4. There should be clear assignment of responsibility, with the ability to handle delegation and absences built into the solution.
5. Reporting of status for management, as well as history for auditors, is an important part of the solution.

## 4. The End-to-End Business

Having looked at the component parts of the consulting business, there are a number of common themes. I believe that there is one recommendation that is common to all areas. Integration is the key to a well-run consultancy. Given the inter-dependencies inherent within the processes, operating one joined-up system is the key to running an efficient consulting company.

When everyone is on one common system, great things can happen. Consider this:

- Updates made as part of a timesheet can update the status of a task
- This in turn updates the dashboard report for the project manager
- This forecast is also visible to the scheduling team who change their resourcing plan
- Recruitment has visibility of the resourcing plan and can change their hiring plan accordingly

If the company was using different systems, different data would be visible to each of these individuals and different decisions would be made. Huge amounts of time would be spent manually re-keying data, reconciling and correcting errors. Employee productivity takes a hit and information is not available in real-time. Even if the different systems are interfaced, there is a burden on IT and a cost of maintenance that is usually hidden. The IT budget for integrating, upgrading and maintaining systems across different platforms with different data models can be enormous.

When the entire company is operating on one platform using one source of data, every dollar is tracked. Processes can be automated, and policies applied automatically, knowing that everyone has visibility of the same information. Duplication of tasks is removed, data is visible in real-time, and employees become more productive. A single platform can enable growth, allowing companies to do more with fewer resources. It can enable geographic expansion to regional offices and even internationally.

I believe that if you run one business, you should operate one system.

## 5. Going Mobile

In focusing on the consulting business as well as technology in general, we have deliberately downplayed mobile, for the simple reason that it deserves a section to itself.

The statistics relating to adoption and usage are stunning:

- In 2012, 50 times more mobile phones were sold than PCs (350m PCs vs 1.7b mobile phones)
- The number of mobile-connected devices exceeded the world's population in 2013
- Traffic from wireless and mobile devices will exceed traffic from wired devices by 2016
- 50% of the world's population will own a smartphone by 2017



The devices that we take for granted in our everyday lives are more powerful, flexible and have more features than most of the technology that we are required to use in the office. With the arrival of the "smartphone", corporate reach has virtually no limits. Through the use of mobile applications linked to the enterprise systems, data capture, work-flowed processes and information retrieval can now take place on a 24x7 basis from anywhere in the world.

For a services business like consulting, where most of the employees are knowledge workers, this has profound implications. When analyzing the components of their business, as we have done in this e-book, I believe that managers should ask themselves two questions:

### **How can I make existing processes more efficient using mobile technology?**

Nearly all of the business processes detailed in this paper have parts that can be executed using mobile devices. Many of the recommendations spoke about simplifying the process of data capture and information distribution. A mobile device is ideal for this. Being able to update the status of a task, submit a timesheet, or check out a project report while sitting on a commuter train not only extends the corporate reach, but turns dead time into productive time for the consultant.



### **How can I change or enable new processes using mobile technology?**

Smartphone users have the ability to access advanced features like GPS positioning, image capture or device-device integration. The use of any of these functions could dramatically change the way that the existing consulting business processes operate. For example, taking pictures of expense receipts using mobile phones and then attaching them to an

existing workflowed process fundamentally changes how receipts are processed. Consultants never need to lose a receipt or have an expense claim delayed again. Also, a new process could be created by using the GPS feature to track business mileage—quite impossible before the arrival of mobile technology, but makes mileage expense claims more efficient, accurate and auditable.

While mobile can be very powerful for a consulting organization, it is important that any mobile strategy is consistent with the other recommendations. For example, if an organization was seeking to leverage mobile usage for one of its functions, but in order to do this a separate database was required, the additional effort interfacing, reconciling and correcting errors from the new mobile system could well negate any of the desired benefits.

Finally, BYOD (Bring Your Own Device) is a policy decision that many consulting organizations are facing. On the positive side, BYOD has the ability to:

- Create greater satisfaction and therefore productivity from the consultants by using their own device in a location and time of their choosing
- Increase the mobile footprint accelerating the adoption of mobile enabled processes
- Reduce CapEx requirements as well as ongoing administration costs

However, the following issues need to be addressed:

- Unless standards are applied, there will be a proliferation of platforms that will need to be supported which will increase costs
- Security, both the ability to access corporate data as well as the safety of any sensitive data stored on the employee's device
- Lack of control and enforcements of corporate standards

There is no doubt that mobile technology will have an enormous impact on enterprise systems over the next few years. Our recommendations for consulting organizations are:

- Mobile technology has the ability to greatly improve the efficiencies. Consulting organizations of all sizes should seize this opportunity to leverage its workforce on the road and at any time of the day.
- Look to mobile technology to make existing processes more efficient or to allow the creation of new or modified processes.
- Don't let the drive for the benefits that mobile could bring compromise the recommendations made as part of the core processes.
- BYOD is going to be a powerful driver of mobile technology within the business. Organizations must be confident that the issues that BYOD brings can be addressed

## 6. Conclusion

“The customer is king” is probably more important in a consulting business than in any other industry. When an intangible product is being sold, the relationships that develop with a client are of great value, and need to be developed over time.

The goal of this e-book is to illustrate how to develop a world-class consultancy by focusing on the efficiency of internal operations. There are many aspects a world-class organization that are not covered here, and only passing mention was made of client relationships.

What we have narrowed in on is the core business processes and given our recommendations on improvements, generally supported by today’s technology.

In summary there are three areas:

- 1. Integration:** Running one business is far easier with one consistent set of data. Many of today’s solutions only address one small part of the process, and consequently the data created by that solution needs to be combined into the core process – which is far harder to do in a consistently error-free way than many organizations believe.
- 2. Simplicity:** Making processes easy to understand will aid in their adoption, as well as increase the chances of the correct data being entered at the right time. Accurate and timely data is the foundation of any efficiently run business.
- 3. Mobile:** The benefits of extending the reach of organization both geographically and outside of office hours can greatly enhance existing processes. Making consultants more efficient is a great starting point to build an world-class organization.

For managers, an efficiently run organization will not only reduce costs and deliver greater profitability, but more importantly it will leave them time to do what they do best—manage clients and grow the business

## 7. About iBE.net

Founded by 20-year ERP veterans, iBE.net (Integrated Business Environment) is creating mobile and cloud-based business management software for companies that have outgrown QuickBooks but are not ready to tackle the likes of SAP or Oracle ERP solutions. Unlike other solutions on the market, iBE.net has been designed from the ground-up using the latest technology to offer enormous flexibility and broad out-of-the-box functionality across a range of industries.

For more information, visit [www.iBE.net](http://www.iBE.net). Twitter: @iBErevolution.

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