Top 8 Best Practices to Increase Your Resource Utilization

How to increase your utilization rate and reduce the need for subcontractors

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Introduction

“In today’s challenging economic climate...” How many times have you read that opening phrase in media articles? Yes, things have been challenging fiscally, and indeed remain so, not least for Professional Services Organizations (PSOs). They have perhaps suffered more than other types of organizations. Why? Because they don’t manufacture products but rather sell consulting services, or more specifically, people skills – and that’s a much tougher sell today.

But through good or bad times, the equation that defines business success for PSOs remains the same: optimizing people skills = increased profitability. While the math may be simple, of course, the realization of this potential can be a lot more challenging.

Resource Management is emerging as the solution to solving this equation. It effectively provides a framework within which PSOs can easily and effectively plan, implement and deploy their people skills.

This White Paper explains what Resource Management is, and outlines the ‘Key Best Practices’ PSOs should adopt to optimize their resources and therefore maximize their profitability.

What is Resource Management?

You may already be familiar with acronyms such as ERP (Enterprise Resource Planning), PM (Project Management) and CRM (Customer Relationship Management), and the software solutions that underpin these disciplines. Resource Management (RM) is often seen as a ‘sub-set’ of these processes.

RM can also be known under other names, such as ‘people planning’ or ‘utilization’ – but in essence it is a solution for planning, managing and deploying the right people skills at the right time on the right projects.

In our experience, only around 20 percent of PSOs actually recognize and use RM as a high-value, stand-alone discipline in its own right – which is surprising given that the management of resources is, by definition, PSOs’ raison d’etre.

And a surprising 75 per cent of PR and communications agencies surveyed by The Aberdeen Group admitted to having no overview of their resource situation more than one month ahead. In PSOs, such as creative agencies, consulting firms, accounting firms and law firms, planning resources at least six months in advance enables these firms to get the most out of their employees.

Resource management is therefore a ‘hot topic’ at the executive level in many project-focused companies. There is more than ever a need to provide PSOs with the proactive, analytical information they need to support efficient and effective decision making.
Resource management – Key Best Practices

So what are the ‘Key Best Practices’ that PSOs should be aware of, and adopt, in order to increase people utilization and attain higher profitability?

1. Recognize that ‘busy’ doesn’t necessarily mean billable

There’s a very big difference between staff being busy and being billable. Look around your organization and you’ll probably see people who seem to be busy, yet their utilization rates – and therefore their billable hours - are at an unsatisfactorily low level. You may also experience a complete disparity across the resource pool, with some people overloaded, while others remain under-utilized.

When your key resources are people, it’s imperative that you make it easy for your employees to register time and other relevant data into your business solution. One way to do this is by letting your employees complete their registrations from familiar, shared applications. Also, a simple report that gives an overview of historic billability – i.e. out of the planned hours, how many were actually billable? – can also ensure that when people say they are ‘busy’, it really does mean they are ‘billable’.

2. Don’t base projects on ‘guesstimates’

All too often PSOs do not align project estimation, execution and existing capacity. Making ‘guesstimates’ on projects is often the key driver in resource under- or over-utilization. Underestimate and you’ll be scrambling to find additional resources. If you are in danger of missing a deadline on a project, because resource management hasn’t been at the top of the agenda, you can either recruit additional staff or hire external subcontractors.

Both actions can obviously have an immediate impact on profitability and a ‘snowball’ effect on subsequent projects – new people hired for one project may not be needed for the next, so you may end up carrying additional and/or unnecessary overhead.

Either way, the impact on project costs and profitability can be significant. The lesson? Short-term resource management and planning, combined with a narrow siloed view, can seriously impact the bottom line. By integrating your sales pipeline system with RM you can achieve a better understanding of resource impacts, both short- and long-term.

3. Don’t over-service clients

One of the biggest challenges facing PSOs is throwing too much resource at a client, effectively putting in time that isn’t actually billable, just to ‘keep the client happy’.

This often happens because there is no clear overview of planned resources and billables against what your people actually deliver - and the gap between the two can mean the difference between profit and loss on an account or project.

Integrating your RM system with your PM system provides improved insight into the critical path – thus allowing you to focus on the sub-tasks in the optimal sequence.

4. Match your long-term project pipeline against your planned capacity

It is absolutely essential to ensure that the projects in your pipeline can be resourced efficiently. Again, integrating your sales pipeline system with RM means you can achieve a better understanding of resource impacts, as well as effectively support your strategic and tactical recruiting, subcontracting and organisational development.

And your sales team will be happy because you can actually deliver on all the projects they have worked so hard to secure.

5. Avoid different versions of the truth

Having a uniform RM system that spans all departments and all resources will help ensure consolidation of all account and project information. And, more importantly, it will provide you with a single and accurate version of the ‘truth’.

Also, by having consolidated information ‘based on facts’ in one place - rather than on a myriad of Excel spread sheets from local managers - there is visibility of account and project progress across the organization, from project manager to senior management level.

6. Be prepared to take advantage of market opportunities

In a challenging economy, understanding the characteristics of your supply is critical to identifying where you can, for example, package up resources and proactively sell them to your client base – and drive increases in revenue by increasing overall billable hours.
Resource management doesn’t just mean managing today’s work. In identifying skills that the organization may not have been unaware of, you can create new market opportunities for tomorrow. RM enables this to happen.

When you integrate your sales pipeline with your RM system it gives you the necessary information, and confidence, to bid on new projects. The very fact that you already know if you can fulfill a project, should you be selected, puts you in a much stronger position to succeed with new bids.

7. Regard Resource Management as the ultimate in Business Intelligence

Business Intelligence (BI) technologies essentially provide historical, current and predictive views of business operations. As a PSO, you regard people as essential to your business operations - RM really represents the ultimate in Business Intelligence BI in your organization.

You can effectively use RM to underpin and drive your business operations. You can bring in timescales, role-needs and other key elements to your resource planning and link this to your overall BI strategy. RM is strong in terms of short-, mid- and long-term analysis and reporting, adding real depth to your BI efforts.

For example, managers can have a dashboard that they look at every day when they log into the system, displaying KPI’s such as Utilization, Billability, Project Resource Load 3/6/12 months out, subcontractors’ usage, etc.

8. Take traditional ERP, CRM and PM systems to the next level

You might be thinking – we already have a traditional ERP, CRM or PM system to manage our client and project-based operations. Why should we bother with RM? The fact is that, while some RM functionality can be found in traditional ERP systems, it tends to be very much focused on managing resources on single projects, rather than looking at resources overall.

What’s happening with RM is the same that happened with CRM in the late 90s, when firms started to realize that they didn’t have a structured way of interacting with customers. The demand for RM is being driven by the need for a system that can handle their entire resource management requirements.

Conclusion

Once you accept that resource management is ‘best practice’ in terms of running your people-centric business operations, it’s time to look at investing in RM solutions.

What an RM solution does is effectively provide a real-time overview of resource availability that is fully integrated with your project plans. You can monitor availability, load, utilization, and revenue across all employees, and easily assign people to tasks relating to projects and opportunities.

You can avoid projects based on ‘guesstimates’ and target your resources accordingly. You can make project plans and estimate the cost and revenue of opportunities and real projects, as well as monitor progress with actuals against baseline at any time.

When you have a long-term overview of the capacity situation, you can work smoothly between operational, tactical and strategic planning horizons and view revenue forecasts based on the plans.

Overall, with RM you benefit from having a highly visual, intuitive and transparent resource overview across your organization that can be accessed by senior, department and project managers, as well as employees, in real-time and based on facts.

The ROI story is compelling. For example, if you have a resource pool of 100 people, with an average hourly rate of $150, finding just one extra hour per month, through the use of RM, will result in $180,000 extra revenue per year. With acquisition and implementation costs unlikely to exceed half of this, a payback period of less than six months is most possible.

So you can see that, when you have a single, integrated solution that supports everybody in your organization in their project planning and resource-related work, then you can really look at increasing profitability.
RM solution benefits at-a-glance

With RM solutions you can:

• Tap into the hidden profitability potential of your staff as you start billing more hours to clients with greater accuracy.
• Become less prone to the shifting moods of the economy as you gear your business to match the current market situation.
• See who is doing what at any given time.
• Monitor availability, load, utilization, and revenue of all employees, and easily assign people to projects and opportunities.
• Reduce the risk of lost profits caused by under-utilizing resources.
• Get a resource overview that is fully integrated with your project plans.
• Gain clear insight into long-term capacity plans.
• Formulate exact revenue forecasts based on your resource allocations.
• Have one integrated solution that supports everybody in your organization in their project planning and resource-related work.