8 BEST PRACTICES FOR OPTIMIZING RESOURCE PERFORMANCE
THE CURRENT STATE OF THE PROFESSIONAL SERVICES INDUSTRY

Professional services organizations – accounting firms, engineering companies, legal practices, and many others are a vibrant part of modern economies everywhere. This is especially true in the United States. SelectUSA, a business advocacy program under the U.S. Department of Commerce, says,

“The United States is the world’s most desired location for professional service firms. In today’s integrated global environment, businesses find it critical to access the talent, institutions, business processes, and client base offered in the United States.”

Recent statistics back this claim. According to SelectUSA, total U.S. professional services firms increased by 13,000 (883,000 to 896,000) during 2015 alone. That’s roughly 36 new professional services firms opening their doors each day!

And the Bureau of Labor Statistics reports that between July 1 and October 31, 2017, the number of workers employed in the U.S. professional services industry increased by 41,500 (9,156,800 to 9,198,300).

36 NEW PROFESSIONAL SERVICES FIRMS OPEN THEIR DOORS EACH DAY.

But the U.S. isn’t the only country with a strong professional services sector. The 2017 edition of the World Investment Report, published by The United Nations Conference on Trade and Development (UNCTAD) points out that 65 percent of the executives polled from service organizations around the world are confident foreign direct investment (FDI) in their companies will increase in the near term – meaning they expect their businesses to grow. So the future also looks bright for professional services firms worldwide, not just those in the U.S.
LONG-IGNORED INDUSTRY REALITIES

With positive indicators like this, starting and growing a successful professional services firm seems like a safe bet. Some in the industry, however, see another side to the story.

Commenting on the state of technology services, Bo Di Mucci of the Technology Industry Services Association (TSIA) says, “Myriad industry disruptions are impacting – and will continue to impact – technology professional services in multiple ways.”

Regarding professional services firms in general, he states, “The vast majority of professional services organizations are finding that success is increasingly being determined by their ability to ‘defend and protect’ AND ‘adapt and transform.’”

Actually, this situation is not new – and has been building for some time.

In the February 2008 article “New Challenges in Leading Professional Services,” Harvard Business School professor Thomas DeLong cited associate recruiting, greater competition, increased client demands, and short-term management thinking as just some of the dynamics causing upheavals in the professional services landscape. “In the past, the work of PSFs was a gentleman’s game – and now it’s blood sport,” DeLong said at the time.

Since then, the “sport” has become even more intense!

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RESOURCE OPTIMIZATION AND FUTURE INDUSTRY SUCCESS

Even with the challenges, great opportunities still exist for professional services organizations that take the proper initiative. Success here depends largely on implementing effective “defend and protect” and “adapt and transform” strategies: faster response times, increased client value, additional services, new markets, etc. But plain old workplace effectiveness – better management of available resources, especially those of the “people” variety – is equally important. In fact, resource optimization often lays the groundwork that allows strategy to flourish.

Because your people “are the business,” professional services firms with the future in mind pay more than lip service to the idea of maximizing their “human” resources. But turning ambition into reality can be difficult, and often the hardest part is knowing where to begin. If your organization is serious about unlocking the potential of your workforce, here are eight common-sense resource optimization best practices that will help you get started.

EIGHT BEST PRACTICES FOR OPTIMUM PEOPLE PERFORMANCE

1. Adopt the Concept of Working Close to the Revenue Line

2. Periodically Review, Trim and Sharpen Processes

3. Embrace, Rather Than Eliminate, Constraints

4. Implement a Truly Workable KPI System

5. Establish and Adhere to Clear Standards

6. Pursue Maximum Return on People (ROP)

7. Make Intelligent Use of Outsourcing

8. Strive for Optimum, not 100-Percent, Resource Utilization
EIGHT BEST PRACTICES FOR OPTIMUM PEOPLE PERFORMANCE

ADOPT THE CONCEPT OF WORKING CLOSE TO THE REVENUE LINE

For most professional services associates, no two days are ever the same. It’s what they love about their job – and also what drives them crazy.

Why?

Because that variety typically results from demands and requests pouring in from all quarters: clients, managers, fellow team members, etc. An associate may start the morning with a reasonable plan for the day and in no time have a to-do list a yard long. Now, the question becomes “Where do I start?”

Practicing the FIFO inventory concept is no solution because it does nothing to help associates prioritize their activities. Consequently, they can end up wasting most of their working hours on tasks that are nonessential or low value.

To boost associate performance, Julie Morgenstern advocates the concept of working close to the revenue line. Morgenstern defines the revenue line as “the point at which your company is actually making or saving money” and states that all associates should spend the bulk of their time on activities “that are at most, only one or two steps” from this standard.

Professional services firms that help their people understand the revenue line and toe this mark do much to improve team member productivity – and their own profit margins.
PERIODICALLY REVIEW, TRIM AND SHARPEN PROCESSES

Mention business processes and most people think of the procedures manufacturers follow to build automobiles, appliances, cell phones, etc.

The fact is, however, all organizations, including professional services firms, have sets of interrelated, repeatable tasks – i.e., business processes – they follow in order to do their work and accomplish their objectives.

In “Business Process Optimization – Where Do I Start?” iGrafx® Vice President Ed Maddock points out that most companies today understand the importance of their business processes, and they do what’s necessary to ensure these processes are well defined.

But no matter how much time and effort has been put into developing them, business processes are not set in stone. Conditions in the field invariably change. And when they do, they can render business processes inefficient to perform – or altogether unnecessary.

Professional services firms that periodically audit their processes to (a) eliminate the ones no longer needed and (b) optimize the ones that remain make a big contribution to the efficiency – and morale – of their team members. They also realize a host of other key benefits.
EIGHT BEST PRACTICES FOR OPTIMUM PEOPLE PERFORMANCE

EMBRACE CONSTRAINTS RATHER THAN ELIMINATE THEM

The classic definition of a business constraint is an “element, factor, or subsystem that works as a bottleneck. It restricts an entity, project, or system...from achieving its potential...with reference to its goal.” (Business Dictionary) Think “limitation” for an idea of what a constraint is all about.

Business constraints come in various shapes and sizes: time, quality, regulatory, and many others. Most business people view constraints as negatives and do everything they can to remove them from operations.

Nobody likes unnecessary barriers to progress. But for most of the constraints organizations face, the better course is to embrace, rather than try to eliminate, them. Sound counterproductive? Not when viewed from the right perspective.

Writing for entrepreneur.com, Michelle Serro says, “Constraints are often advantages in disguise – edges that encourage you to focus and go further, faster.” She cites Twitter’s 140-character message limit (now 280) as a constraint that forces users to be creative in order to communicate effectively. “Entrepreneurs are often wondering how to go about creating something new and to unleash the creativity and innovation capacity of their teams,” Serro continues. “The answer is simple: Set some constraints.”

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Professional services firms that encourage their associates to embrace constraints unlock the potential for creative thinking that leads to breakthrough results.
IMPLEMENT A TRULY WORKABLE KEY PERFORMANCE INDICATOR (KPI) SYSTEM

Most business pros are familiar with *key performance indicators (KPIs)*, the statistics-based signposts that executives, managers, and other stakeholders use to evaluate the progress of their organization toward achieving its strategic goals. Nearly every organization has KPIs in some form – and that’s where the similarity often ends. Because while some organizations use KPIs to great advantage, for others, the KPI system is basically unworkable.

An organization’s KPIs can fail for various reasons. Maybe they measure the wrong thing – or nothing at all. Possibly, there are too many KPIs. Or perhaps the KPIs are confusing to the very people they are supposed to help.

Professional services firms that implement a workable KPI system equip their associates with an effective performance management tool to guide their activities and help their organization reach its goals.
WHAT MAKES A GOOD KPI?

1. Supports a specific business objective (Savkin calls this its business context).

2. Provides both performance monitoring and progress measurement.

3. Includes an action plan for keeping the KPI on track.

4. Has the buy-in of the team members responsible for the KPI.

“Why Most KPIs Don’t Work and What to Do About This,” Aleksey Savkin
ESTABLISH AND ADHERE TO CLEARLY DEFINED STANDARDS

Every organization must address the subject of standards. Formally, a standard is a “universally or widely accepted, agreed upon, or established means of determining what something should be.” (Business Dictionary) Federal law, local or state licensing requirements, and OSHA safety mandates are just a few of the universal standards that apply to all organizations.

Then there are the standards unique to each organization that guide its public and private behavior. Scott Ferguson says it this way:

“You have personal values, beliefs and performance benchmarks. Your business also has these characteristics and they are referred to as company standards.”

An organization’s standards can cover anything from prospect management to service quality. But regardless of area, each standard should –

- Support the goals of the organization.
- Serve a purpose that team members can readily identify
- Be clearly stated.
- Be something that everyone throughout the organization practices regularly.

Professional services firms with clear standards for how they “do business” provide the gauge team members need to accurately compare their on-the-job conduct against the expectations of the organization that employs them.
PURSUE MAXIMUM RETURN ON PEOPLE (HUMAN CAPITAL)

For nearly every organization, calculating return on investment (ROI) before purchasing buildings, equipment, etc. is a no-brainer.

Yet many of these same organizations give little thought to their investment in — or returns received from — their greatest asset: their human capital (team members). Especially for people-centered enterprises like professional services firms, this can be a huge mistake.

In “Maximizing Your Return on People,” Laurie Bassi and Daniel McMurrer stress the close correlation between an organization’s investment in its people and the improvements in its performance. According to Bassi and McMurrer, organizations seeking to maximize their return on people (ROP) strive for high maturity levels in five human capital management (HCM) categories.

These five categories are -

- Leadership practices.
- Employee engagement.
- Knowledge accessibility.
- Workforce optimization.
- Learning capacity.

Well beyond the scope of typical HR activities, this concept is based on a fundamental principle: for top-flight team members and superior performance, invest in your people.

Professional services firms that treat their team members as assets and invest in their development lay the foundation for maximum ROP…and a terrific bottom line.
EIGHT BEST PRACTICES FOR OPTIMUM PEOPLE PERFORMANCE

MAINTAIN MOMENTUM WITH INTELLIGENT USE OF OUTSOURCING

Professional services organizations are known for their talented people and creative solutions. Sometimes, however, heavy workloads and demanding project requirements make it impossible to “do the job” with the staff on hand.

Hiring more people would be nice, but will there be enough work to keep them busy once the pace and pressure ease? Rather than risk layoffs, many firms simply add the extra burden onto an already overburdened workforce…and morale suffers.

Instead of extensive OT, professional services firms are increasingly relying on outsourcing — temporarily bringing onboard the human capital needed to get through the “busy seasons” — as a way maintain their momentum without causing a breakdown in the permanent staff.

Along with fostering better attitudes, outsourcing done well ensures schedule fulfillment, frees regular team members to focus on what they do best, and puts them in touch with experienced pros who typically have a wealth of knowledge to share. From a dollars standpoint, it also eliminates the overhead associated with permanent hires: taxes, workers‘ comp, etc.

Professional services firms that make intelligent use of outsourcing to help their associates get through the hectic times demonstrate a respect for people that earns respect in return. The outcome is always better performing organizations.

For a comprehensive discussion on the outsourcing alternative, see “How to Build a Better Business with Outsourcing” by Nancy Mann Jackson.
In a two-part article by Angela Montgomery, Dr. Giovanni Siepe, cofounder of Intelligent Management Inc., contends that “resource optimization” doesn’t result from using resources to 100 percent of their capacity 100 percent of the time. Rather, he maintains it stems from knowing the constraint in a system (the point where a system stops generating value), and then using the system’s resources to come as close as possible to the constraint without going past it.

In Siepe’s opinion, when a system reaches this level, resource utilization is at its optimum because (a) the system is producing maximum value and (b) its resources still have available capacity to keep the system running at its peak.

Scheduling every minute of a team member’s day for client interaction and billable work may seem like the best use of that resource, but if the team member never has any slack time, there is no reserve capacity that can be called on in special situations. And it certainly leaves no room for other activities – professional education, personal development, etc. – that can actually increase team member effectiveness.

Professional services firms that recognize the difference between optimum and 100-percent resource utilization make effective use of their people resources. Yet they still have a cushion in the schedule for activities that maintain satisfied clients, happy associates…and smooth operations.
BEST PRACTICES, POSITIVE DISRUPTION AND COMPANY SURVIVAL

In an opinion piece published by the Wharton School, EY executive Uschi Schreiber highlights the “unprecedented disruptions” currently taking place across all industries. These disruptions are being caused by “megatrends...global forces [with] far-reaching, interrelated consequences for business, economies, industries, societies and individuals.”

Schreiber maintains that due to the “dizzy timeframes” at which disruptions are occurring, “only a third of today’s major corporations are expected to survive the next 25 years.”

According to Schreiber, this threat to businesses is an opportunity for professional services organizations – a chance for them to function clearly in their longstanding role as “agents of change,” disrupting the entrenched unproductive practices that hinder their clients. But before they can offer the positive disruption their clients need, Schreiber says, professional services firms may first have to disrupt their own way of doing things.

And it’s at this point that disruption connects with best practice. Only a professional services firms whose team members are well aligned and functioning effectively can exercise the self-discipline needed to police itself this way. In turn, fielding a staff that can execute at this level depends to no small degree on building an organizational culture of change where best practices foster optimum people performance.

Earlier, this eBook stated that resource optimization often lays the groundwork for strategy. If Uschi Schreiber and other forecasters are correct, optimizing people resources now can help many companies – including professional services firms themselves – implement effective strategy for avoiding the “unfortunate two-thirds” club so they can still be growing and prospering at the mid-century mark and beyond.

Today is a perfect time for professional services organizations to be optimizing their people resources. And employing best practices like the ones presented here is a perfect place to begin.
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