

Growing Revenue through Sales & Resource Alignment

How top performing firms increase revenue by aligning their sales and resource planning processes

The Problem

For many Professional Services organizations, their ability to acquire a steady stream of new clients and projects is a key to their long-term success. While it's easy to understand how new client and project acquisition will impact a firm's financial performance and drive revenue growth, what is less often discussed is how a firm's sales performance impacts their ability to effectively plan and execute projects and proactively manage their resource pool.

SPI Research recently surveyed hundreds of Professional Services Organizations to understand how their sales and operational performance compared to their peers. What they found was a clear delineation between the top performing firms and the rest of the survey group. The difference in their performance highlights the importance of effectively aligning sales and resourcing processes to help drive peak performance.

The top performing firms clearly demonstrated an intense focus on their sales performance. This means that they invest a higher percentage of their revenue into sales and marketing than their peers, and that they consistently monitor their sales forecasts and upcoming project requirements. This increased attention to their sales activities pays off, with the research showing that these firms achieve:

- Superior revenue growth rates compared to their peers
- Higher project gross margins than their peers
- Improved Win: Bid ratios compared to their peers
- Greater accuracy of forecasts relative to their peers

What also stands out when analyzing the top performing firms is the successful alignment of their sales processes and systems with their project and resource planning processes and systems. These top firms have deeply integrated their resourcing and sales processes, providing Project Managers and Resource Managers with maximum visibility of upcoming project and resource requirements.

Without this integration and visibility, it becomes extremely difficult to plan optimal staffing levels and maintain appropriate skill sets to meet your client's project needs. Furthermore, if your resource availability, skill sets, and project requirements aren't aligned, your firm may experience issues such as:

- **Low Aggregate Utilization Levels** - Organizations that are reactive in their resource management and scheduling processes typically experience unbalanced resource utilization levels. This means that a few resources (senior level or highly capable resources) are highly utilized, but the remaining resources suffer from lower than expected utilization. This lack of balance lowers aggregate utilization levels, which has a direct impact on your firm's revenue and employee performance and satisfaction.
- **Poor On-time Project Delivery** - Firms whose sales, project planning and resourcing processes are out of alignment typically have lower than average on-time project delivery results. As a result, these firms will also most likely suffer from lower project gross margins, lower revenue growth rates, and less satisfied clients - all consequences of poor on-time project delivery performance.
- **Higher Project Cancellation Rates** - The inability to match resource capacity and skill sets with upcoming project work can also have a direct

impact on your firm's ability to successfully kick off new client projects. If your delivery team cannot quickly staff new projects and transition into the project execution activities, you may not be able to meet your client's delivery expectations, and could even risk having the project canceled.

- **Lower Project Gross Margins** - Firms whose sales and resourcing practices are out of alignment also typically see lower project gross margins. This can stem from having to write off billable time that was poorly performed by the wrong resources, or using resources whose cost structures do not suit the billable rates that the client was offered. These, and other factors resulting from poor sales and resource alignment, can bring down the gross margins of your projects.

As you can see, the extent to which you can integrate your sales and resource planning processes can have a direct impact on your organization's ability to maximize resource utilization, deliver projects on time, ensure client satisfaction, and drive revenue growth and profitability. So now that we've established this relationship, let's explore how your firm can take measurable steps to align your sales and resourcing processes.

The Solution

The key to aligning your sales and resource planning processes lies in your organization's ability to accurately track upcoming project opportunities, along with the required resources, costs and revenue details, so that you can begin to use this information in your planning processes. By moving your project and resource planning activities forward during the sales process, you can start to build accurate resource-based project quotations, and begin to build a resource forecast that shows potential demand for these resources, thereby improving your visibility of upcoming project staffing requirements.

To successfully integrate these business processes, your systems also need to be integrated. This means bridging the gap between your sales operations, often managed within a Customer Relationship Management (CRM) system, and your project and resource operations, often managed with project quoting and resource management

tools within a Project Accounting or Professional Services Automation (PSA) system. While a recent study by SPI Research showed that most firms use a Customer Relationship Management (CRM) system (93%) and a Project Accounting system (85%), very few of them actually use integrated systems where data flows seamlessly across their sales, project management, and resourcing processes.

Here's a step by step plan that your firm can take to align your sales and resource planning processes.

1 Build your Client and Prospect database

The first step in this process is to ensure that all of your existing clients and prospective clients are loaded into your CRM or sales management system. If your CRM system is part of your ERP, Financial Management, or Project Accounting application, this is typically a simple process since all your client data is already in one system. However, if you're using a CRM tool that is disconnected from your other line of business systems, you'll need to create a process to ensure that these client records are kept in sync across your various applications.

2 Define a Sales Process for your team to follow

A key to accurate revenue and resource forecasting is to make sure that there are consistent methods being used by your sales team to track project opportunities as they progress through the sales process. This consistency ensures that you are objectively viewing your project pipeline using a consistent set of attributes and assumptions when forecasting your upcoming project workload. A typical sales process includes several elements:

- **Sales Cycle** - A sales cycle is the series of four to six steps that your clients go through while evaluating your firm's solution or services. A common sales cycle includes the Qualification, Needs Analysis, Solution Presentation, Proposal, Negotiation, and Close steps. However, since every organization is different, we encourage you to create a sales cycle that reflects the unique manner in which you interact with your clients and prospects.
- **Probabilities** - As you progress through the sales cycle with your clients, the probability or likelihood of closing the deal will theoretically increase. Therefore, it is important that you standardize the typical probability for each stage in the sales cycle. For example, when you're simply qualifying the opportunity, you may only have a 20% likelihood of closing the deal, on average. However, by the time you reach the

Negotiation stage, that likelihood may be closer to 80%. There is no exact science to this part of the process, but it's important that you start somewhere.

- Timing - Another key element to the sales cycle is the timing of the projects. For example, if a project opportunity is not expected to close for 6 months, it probably carries a lower priority from a forecasting standpoint than a deal that is 3 months or less away from closing. Many organizations also develop a series of time buckets to help Sales Managers and Resource Managers prioritize the opportunities that they are analyzing and planning around. A typical breakdown of time buckets includes 6-12 months, 3-6 months, 2-3 months, and < 1 month.

3 Start actively tracking new Project Opportunities

Now that you have your clients and prospects loaded into a CRM system and you have a sales process in place, you're ready to start tracking your new project opportunities. This should include potential projects for both existing clients and prospective new clients, since all new project work is equally important in the downstream planning process. Each opportunity should be clearly defined, including the type of project it is, expected revenue, stage of the sales cycle, and probability of closing the deal. In addition, both the targeted contract signature and project start dates should be included, since these dates can be important for both revenue recognition and resource planning, respectively.

4 Link these Opportunities to detailed Project Quotations

Tracking your project opportunities is an important first step, but most opportunity tracking systems are fairly limited in the level of detail that they offer for tracking the work to be performed on the potential project. One way to address this shortcoming is to link project opportunities directly to a project quotation. A project quotation is a detailed breakdown of the type of work being performed for that project opportunity, which will include specific project services and resources required for the potential project. A comprehensive project quotation system will allow you to quote the number of hours or units for each category of services or resources to be provided, and should be directly linked into your resource pricing tables so that you can quote the project using the appropriate cost and billing rates. This will help ensure that you accurately price your services relative to which resources will actually perform the work, and that you have access to the expected margin or profitability of the new project. Most importantly, the hours required by your resources for this project will

be critical information used by your Resource Managers to determine long term resource requirements.

5 Actively review your Forecasts

Now that you're tracking your opportunities and have detailed information available on the timing of the new work, the resources required for that work, and the likelihood of the work materializing, it's time to start actively monitoring your project pipeline and resource forecasts. The more often you review this information, the better. Start by prioritizing the high probability opportunities that are scheduled to close in < 1 month, overlaying those project and resource requirements on top of your existing resource plan and skill set base. From there, you can start to branch out first into longer timeframes (first 2 - 3 months, then 3 - 6 months), and then to lower probability levels, to further analyze future resource requirements relative to your existing capacity and skill sets. This will help you make good staffing decisions farther into the future.

The Benefits

The benefits of integrating your sales processes with your project operations can be significant, as demonstrated by the top performing firms in SPI Research's benchmarking study. These benefits typically fall into several categories:

- Optimized Resource Mix and Capacities - By integrating your sales and resourcing processes, Resource Managers can use their improved visibility levels to ensure that they have the appropriate mix of resources relative to upcoming project demands. This means having an appropriate capacity of resources with the right skill sets, and avoiding having resources "on the bench" whose skill sets are not in demand.
- Higher Utilization - By optimizing your resource mix and capacity levels, you can balance your utilization across your resource pool to raise your aggregate utilization level. It's better to have all resources operating at 75% utilization, than a few at 100% and the rest at 60%. Firms that have integrated sales and resourcing processes and systems typically attain higher aggregate utilization levels than those that do not.
- Client Satisfaction - By having the right resources with right skill sets ready to ensure a quick project kickoff and to help deliver projects on time, your clients will be highly satisfied with

your work, will provide valuable references, and will keep coming back for more of your services in the future.

- Enhanced Business Growth - Firms that intensely focus on their sales and forecasting processes see higher Win:Bid ratios and generate higher levels of business growth as a result.
- Improved Revenue and Profitability - Proper planning doesn't just help you impact the top line by maximizing utilization, but this improved visibility of resource requirements also helps ensure that you're maintaining the appropriate cost structure and performing work with the most "cost appropriate" resources. This leads directly to higher project profitability levels.

According to SPI Research, the top firms average 7.4 wins per 10 bids, compared to 5.3 wins per 10 bids for their peers.

If your organization can be successful in integrating these critical areas of your business, you're well on your way to being a high performing and highly profitable services organization.

According to SPI Research, firms with integrated applications show average utilization of 70%, compared to 67% for firms using disparate systems.

About Systems Advisors Group

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info@systemsadvisors.com
www.systemsadvisors.com