

# Success Factors for Consulting Firms

## Table of Contents

Introduction ..... 1

Short-Term, Operational Success Factors ..... 1

Long-Term, Strategic Success Factors ..... 1

Current Dynamics in Consulting Firms ..... 2

Conclusions ..... 3

## INTRODUCTION

There are certain time-honored success factors that industry insiders would agree can make or break any professional services firm. Short-term success comes with bringing projects in the door, having the capacity to execute them, keeping tight reins on projects, and knowing how to evaluate and manage underlying drivers of financial performance. And in the long term, successful firms concentrate on external factors (relationships, reputation, and a market-sector focus) and on internal factors (communication, staffing, and knowledge management).

## SHORT-TERM, OPERATIONAL SUCCESS FACTORS

- Maintaining workflow and backlog helps firms avoid the spikes of work overload or unbillable employees by scheduling their future hiring and engagement activities.
- Staffing and recruiting to meet engagement demands are critical for firms to execute projects and grow.
- Engagement controls (e.g., work plan, scheduling tools, and financial reports) enable the engagement or account manager to manage the engagement more carefully to meet the expected schedule, budget, and quality of deliverables.
- Key financial drivers (e.g., staff utilization, multipliers, revenue factor, cash flow and overhead costs) are tracked, managed and benchmarked for the whole organization, as well as for individual units, engagements and staff.

## LONG-TERM, STRATEGIC SUCCESS FACTORS

- Client satisfaction is achieved through meeting or exceeding client expectations for budgets, schedules, and quality of deliverables, as well as through service and understanding of client needs.
- Personal relationship-based marketing and sales still account for much of an organization's business development. Organizations are often hired largely on the basis of personal relationships with clients, particularly in the private sector.
- Brand differentiation helps successful businesses position themselves consistently and become known as the low risk expert in their market sector.
- Market-based organization structures enable project-based firms to understand and respond to their clients' sector-specific needs.
- Retaining key employees lowers the costs associated with recruiting and training new employees.
- Retaining knowledge and institutionalizing best practices is a significant differentiator of the most successful firms, which capture new ways of working and make them an integral part of the organization's operations.

## CURRENT EXTERNALITIES IN CONSULTING FIRMS

Most professional services industries are undergoing rapid change in today's economy and fast-paced project environment. Following are some of the current internal and external dynamics:

### **Stagnant market environment challenging firms to reduce costs.**

Due to the current economic climate, firms are challenged more than ever to keep tight control on costs, maintain/increase revenues and show profits in order to stay competitive. Many professional services firms, from management consulting organizations to architectural and engineering firms are struggling to attain and maintain clients while their revenues are declining. Forward thinking firms that adopt Resource Optimization and Planning are realizing a significant advantage over their competitors. Through PSA, they are using this opportunity to focus on their business structure, relationships with clients, and processes of winning, producing and delivering work.

### **Hope and fear surrounding the impact of the internet and e-commerce.**

Just as professional services firms were early adopters of the fax machine for sharing drawings and correspondence, so they enjoyed many benefits from the arrival of public networks, e-mail, and the web. Now, however, with the advent of project portals, public collaboration zones, and rudimentary e-commerce, the Internet has begun to change the very fabric of many professional services industries. Organizations watch the changing landscape with high hopes for improved productivity and opportunity, mingled with fears for how the traditional relationships in their projects may change and perhaps marginalize their own role.

### **Chronic understaffing, shortage of key professionals, and turnover.**

Staffing and recruiting can be both a short and long-term limitation on an organization's ability to execute projects and grow. Effective, organized recruiting is critical if a firm is to maintain or increase its capacity to take on work. Retaining the knowledge accumulated by key personnel and using it to train new employees are of the utmost importance in a high-turnover environment.

### **Overloaded management and staff.**

Support functions often crumble under the weight of increased workload, especially in a down economy where people have to do more with less. When these groups struggle — e.g., failing to create and distribute timely and informative reports or letting marketing efforts slide — a "ripple effect" occurs throughout the organization. Projects suffer, client relationships are damaged, cash flow problems arise, and so on.

### **Reduction or elimination of administrative support staff.**

In an effort to drive down overhead costs, many organizations have greatly reduced their levels of administrative support. Senior and billable staff are taking more responsibility for their own word processing and communication tools. Easy-to-learn automated processes and self-service opportunities for all employees, particularly in accounting and HR, reduce the workload and increase support staff productivity.

### **Industry consolidation and spin-offs.**

At the same time, through mergers, acquisitions, and divestitures, many professional services industries are becoming more segregated between large, consolidated organizations and small, niche firms. Organizations that merge with or acquire another organization wrestle with how to integrate technical and business processes, as well as how to pool all employees' collective knowledge.

### **Increasingly sophisticated and/or demanding clients.**

Accurate or not, many clients believe that IT advances increase their opportunity for low-effort awareness of, and participation in, their projects. Clients of professional services firms generally perceive superior communication and responsiveness as a critical quality in their consultants. Some clients demand project Websites. Overall, clients have reduced their tolerance for inefficiency.

### **Sole-sourcing and/or reduction in the number of suppliers.**

Clients are also developing closer relationships with fewer consultants. It is increasingly difficult for firms to survive simply by responding to public requests for proposal. Instead, intimate client relationships and aggressive positioning are how project-based businesses get on their clients' most-favored-consultants list.

### **The race to keep pace in technology with competitors.**

The issue of technology has entered the boardroom. Top executives are increasingly aware of technology as a basic requirement for doing business, as well as a market differentiator and competitive advantage. They worry about the costs of falling behind the curve.

### **CONCLUSIONS**

Today's challenging business climate highlights the absolute necessity of accurate and up to date insight into their business data. Those firms that invested in tools to manage their engagement lifecycle in the late 1990s are the same firms that are positioned for growth, even in the current economic climate. Firms that embrace the efficiencies and streamlined business processes are the ones with a significant competitive advantage against their competitors. The forward thinking leaders among these companies will understand that a better time may never come to make a significant investment these tools. The firms that succeed will be those that enjoy strong support from the CEO, and can bring all factions of their management to the table to make a commitment to this common goal of integrating business and knowledge management.

## Contact Deltek

[www.deltek.com](http://www.deltek.com)  
[info@deltek.com](mailto:info@deltek.com)  
800.456.2009

Deltek (NASDAQ: PROJ) is the leading provider of enterprise applications software designed specifically for project-focused businesses. For more than two decades, our software applications have enabled organizations to automate mission-critical business processes around the engagement, execution and delivery of projects. More than 12,000 customers worldwide rely on Deltek to measure business results, optimize performance, streamline operations and win new business.

---

Deltek • 13880 Dulles Corner Lane, Herndon, VA 20171  
**US & Canada:** 800.456.2009 or 703.734.8606 **UK** +44 (0) 20 7518-5010

© 2008 Deltek, Inc. All rights reserved. All referenced trademarks are the property of their respective owners.

