

UNIT4

# In Business for You

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SOLVING THE TALENT PUZZLE





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# Overview – the puzzle

Things have changed. You can't ignore developments in technology anymore. Not if you want to evolve, grow and increase profits. And certainly not if you want to attract new, younger talent.

This report is about your biggest asset, and biggest expense: people. It's about their talents, their work preferences and their use of tech.

It's about your systems, your ambitions, and, yes, it's about your use of technology.

**SOLVING THE TALENT PUZZLE** is not easy, but with the right tools, you stand a good chance. And, because of the breakneck advances in tech, your odds are much better than a decade or so ago – as long as you can keep up.



# Human capital

The global talent pool has been completely transformed in just two decades

With the Millennials cohort now outnumbering the Baby Boomers and the next generation (Gen-Z) already joining the workforce, there's increasing competition for talent. Among that talent, technology use, work preferences and expectations from employers have changed beyond recognition since the turn of the millennium.

These are the findings of third-party researcher, Service Performance Insight (SPI) after more than a decade of studies, surveys and interviews with the world's leading professional services organizations (PSO) and presented in the Professional Services Maturity Benchmark (PSMB)

**“SPI sees a new millennial workforce, nursed on technology and instant global communication, take charge.\*\*”**

## Hot new technologies

“Firms require younger workers with new skillsets –but competition to recruit them is fierce. Millennial workers are less loyal than previous generations, and more inclined to hop between jobs, which makes retention even harder. All firms must learn to manage multi-generational and multi-cultural workforces, especially since we're seeing a younger and younger workforce.”\*

**Let's open a window on The Best PSOs to see how they are recruiting and retaining the best talent >>>**

The good news is, we can capitalize on these global human capital trends while simultaneously optimizing staff utilization, reducing attrition and boosting profitability.

But only with the right tools.

Best-of-the-Best Comparison - Human Capital Alignment Pillar			
Key Performance Indicator (KPI)	Best	Rest	▲
Employee annual attrition - voluntary	8.8%	8.5%	-4%
Employee annual attrition - involuntary	6.2%	5.4%	-15%
Recommend company to friends/family (1 to 5)	4.83	4.39	10%
Management to employee ratio	10.33	10.33	0%
Days to recruit and hire for standard positions	65.0	59.6	-9%
Days for a new hire to become productive	59.0	57.4	-3%
Guaranteed annual training days / employee	12.67	8.62	47%
Well-Understood career path for all employees (1 to 5 scale)	4.10	3.23	27%
Employee billable utilization	74.5%	69.4%	7%
Annual fully loaded cost per consultant (k)	\$140	\$121	-16%

Source: SPI Research, February 2019

# Recruit & retain

In such a competitive talent environment, leading employers are doing everything they can to attract and retain the best talent, including embracing technology

According to independent research\*, the top five percent (The Best) of PSOs are becoming “laser- focused on their employment brand.” They are “embracing technology” to help “reinvent” the workplace with knowledge-sharing, team-building, transparency and collaboration at the core of their “continuous learning cultures”.

“Each top firm emphasized the importance of culture. Culture goes way beyond establishing a mission statement – it must be unique and inspiring to attract the type of consultants and clients the firm can best serve. Innovative employee engagement programs include: annual company retreats; generous healthcare and parental leave policies; flexible work schedules; health and wellness programs; significant investments in employee training and career development and a consistent focus on fun, team-building, collaboration and communication.”\*

## Must-have mobile

The other thing these project-centric organizations all have in common: they’re using the latest technology to prevent burnout, create self-driving resource projects and improve productivity.

“Consultants are demanding easy-to-use, contextual, socially aware systems which mimic the applications they use in their personal lives. Mobile is no longer a nice to have, it has become a strategic imperative to reach an increasingly global and virtual client base and workforce.\*”

## And the results?

Employee billable utilization is 7 percent higher in the best-performing professional services organizations: 74.5 percent for The Best, and 69.4 percent for The Rest\*.

Also, employees at The Best are paid more than The Rest (the other 95 percent) and they receive a host of additional benefits. More employees at these firms would recommend their employer as a great place to work, they receive higher levels of training investment and are more likely to understand and take advantage of career advancement opportunities\*.



[Time to see which tools you need to match skills to jobs and manage remote talent >>>](#)

# Right people, right skill, right tools

It might have been okay to use Excel and Outlook 10 years ago. But not today. Not when there is a MUCH better way

## Say goodbye to Excel

You can optimize utilization rates with Excel, but only if nothing changes and you have time to manage it. (The chance would be a fine thing.) Project management is full of shifting demands, priorities and expectations. Also, maintaining Excel spreadsheet project plans relies on constant, labor-heavy communication between resource and project managers, HR and sales teams.

## Manage remote talent

With more remote team members working on global projects, your people need mobile-enabled, cloud-powered solutions. These days, cloud-based human capital management (HCM) applications offer mobile access from anywhere, making it easy for employees to keep their profiles and requests up-to-date. Intuitive user interfaces and social tools mean they'll want to use them, leading to increased collaboration and flexibility.

Real-time tracking, instantly visible changes and automatic alerts improve visibility and agility for project and resources managers. All this keeps communication around projects, time and expenses within a single system rather than siloed in email inboxes and spreadsheets. (Sorry, Excel). And it allows more flexibility and control for everyone working on global projects.

This is where project management is going. And it's being driven by technology.

**“Perhaps most notable is the increase in billable utilization as PSOs move from spreadsheets (66.2 percent) to PSA solutions (67.8 percent) to integrated PSA solutions (71.3 percent).”**

## Match skills, spot gaps

With an integrated professional services automation (PSA) solution you can match the right consultants with the right seniority and skills to the right projects and tasks. Having one system that brings together the data you need in one place means you can quickly assess which team members will be the right fit. With the right solution you can also match talent and create projects automatically. Integrated human resource management tools also allow you to spot gaps in training with employees.

This saves a lot of time and helps you avoid over- and under-utilization of your people, as well as helping you run more flexible, successful projects.

**Let's look at how gaining visibility solves the utilization puzzle >>>**

# See through walls

The top PSOs have gained operational transparency with panoramic visibility over people, projects and finances

They're matching the right consultants with the right seniority and skills to the right tasks; and creating projects automatically. They're tracking everything in real-time, and consultants use mobile apps to record time, expenses and purchases within the same system.

"The use of PSA is on the rise due to the need to better manage projects and resources, especially in more technical disciplines, as it has become increasingly difficult to find, hire, retain and deploy talent.\*"

These Best have kicked the Excel-email habit; they've ditched incompatible software systems and switched to a single, integrated solution for professional services automation. This gives them visibility which stops them defensively tying up billable staff, which stops talent silos forming and allows projects to flow freely, aligning departments and pushing up utilization rates.

**"PSA solutions help match the right resources, with the right skills at the right time to the right projects.\*"**

In short, they're breaking down silos and optimizing resource utilization, avoiding attrition and under-utilization.

"They [the top five percent of PSOs] credit their PSA with improving resource, project management, time and expense capture and billing, leading to higher levels of billable utilization and on-time project completion. Because every leader relies on a PSA application they can build and reinforce project delivery standards which result in precision execution and high levels of quality, productivity and profitability.\*"

**So, why are The Best professional services organizations using integrated solutions? >>>**





# One solution to bind them

## The Best are using integrated tools for talent, projects, and financials with great results

Integrating a PSA application with human resources management (HRM) and financials is powerful. The top performers also integrate customer relationship management (CRM) systems with project management software, too.

The finance capabilities of a good PSA solution deliver out-of-the-box invoicing with integrated apps for time and expenses. This allows financial teams to align revenues and costs while project delivery teams focus on quality and productivity. HRM capabilities allow you to manage skills and competences. Integrating competency management from HR with project and resource planning unlocks clarity on what skills are in demand, their cost, availability and profitability. Linking CRM and finance to the overall picture unlocks pipeline planning and reporting.

### Real-time data and 360-degree visibility

With teams in multiple sites, often scattered across countries and continents, a lack of up-to-date information about human resources can be a major barrier to optimizing utilization. The right solution allows you to access real-time financial data synchronized from timesheets and the general ledger in a project dashboard so you can monitor, measure and manage metrics as required.

According to industry research, human capital management (HCM) systems are increasing in importance and usage across the service industry. Traditional HCM applications for recruiting, performance, learning and compensation are moving to the cloud with social functionality combined with mobile employee access for self-managing careers, skills and preferences.

### Impact - Human Capital Management (HCM) Use

Key Performance Indicator (KPI)	HCM USED	HCM Not USED	
Number of PS employees	841	326	158%
Year-over-year change in PS revenue	10.8%	8.0%	35%
Year-over-year change in PS headcount	8.8%	6.0%	47%
Deal pipeline / quarterly bookings forecast	195%	165%	18%
Quarterly revenue target in backlog	46.7%	40.8%	14%
Annual revenue per billable consultant (k)	\$211	\$197	7%
<b>Profit (EBITDA %)</b>	<b>20.2%</b>	<b>16.5%</b>	<b>22%</b>

Source: SPI Research, February 2019

The advantages of integrated PSA applications have made a record-breaking impact on the global services industry >>>

# Record profits and the impact of HCM

According to the PSMB 2019 report, overall professional services sector net profit climbed to its highest ever reported ceiling of 18.5 percent in 2018. SPI predicts the industry is set for continued growth in 2019

“In 2017 for the first time, PS headcount growth exceeded revenue growth. As we expected, this led to strong revenue growth in 2018 (9.7 percent). This year headcount growth has fallen to a more sustainable level of 7.7 percent. We predict continued strong revenue growth in 2019 but danger signs are starting to appear.”

## Impact – Commercial HCM Integration

Key Performance Indicator (KPI)	HCM Not Used	Used, Not Integrated	Used, Integrated
Size of PS organization (employees)	326	478	1,134
Year-over-year change in PS revenue	8.0%	10.2%	11.1%
New client % of total revenue	25.0%	27.7%	29.4%
Employee billable utilization	68.0%	69.4%	71.2%
Project duration (man-months)	22.6	24.8	42.6
Projects delivered on-time	77.1%	77.3%	77.6%
Percent of annual revenue target achieved	92.7%	93.7%	94.9%
<b>Profit (EBITDA %)</b>	<b>16.5%</b>	<b>19.6%</b>	<b>21.3%</b>

Source: SPI Research, February 2019

## The impact of HCM

The figures in the tables on pages 8 and 9 show the significant benefits not only of using a HCM, but integrating a commercial HCM solution.

The year-over-year increase in revenue is 10.8 percent for those that use a HCM compared with 8 percent for PS organizations that do not use any form of HCM. Furthermore, when a commercial HCM is integrated, the increase is even higher.

The annual revenue per billable consultant is 7 percent higher among PSOs which use a HCM solution, compared with those that do not use one.

When organizations switch from not using a HCM to integrating a commercial HCM, they deliver more projects on-time, employee billable utilization climbs more than three percent and project duration almost doubles.

The impact of this, most significantly, is that EBITDA (earnings before interest, tax, depreciation and amortization) is 22 percent higher in firms where a HCM is used versus firms where a HCM is not. For organizations using an integrated commercial HCM, EBITDA is higher than those which do use a commercial HCM but do not integrate it. And when PSOs use no HCM at all, EBITDA is significantly lower (16.5 percent).

That's a lot to take in. Time for a recap >>>

# Summary – solving the puzzle

A lot has changed since email and spreadsheets were invented.

The Best professional services organizations are recruiting the right talent and treating them well so they stay. They're keeping them skilled and giving them the right tools to avoid burnout. These digital tools help project managers match the right people with the right skills to the right jobs, as well as creating self-driving projects. These tools break through silo walls, encouraging collaboration, communication and innovation.

As a result the leading firms have gained visibility over data about their people, projects and processes. They can react to the shifting sands of the services landscape thanks to real-time insight and predictive forecasts.

And they're reaping the rewards: more profitable projects; increased revenue from every employee, consultant and project; optimized resource utilization.

They may not have solved the puzzle, but, with the help of integrated solutions they're certainly well on their way. The numbers can't lie.

## Thank you for reading.

With the right partner, you can also integrate applications for managing client relationships, project delivery and finance into your PSA solution.

Read more about these performance pillars in our e-guides on clients, projects and finance. To read more independent insights from SPI, you can download the [2019 PSMB](#).

### References

\*Source: Professional Services Maturity Benchmark (PSMB) report 2019, by Service Performance Insight (SPI)



### Ready for a demo?

We would like to get in touch to show you our solutions and answer any questions you might have. Click here to request a personal demo.

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