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The Consulting Project Performance Paradox

Why Resource Management Trumps Quality and Project Management Processes

The Consulting Project Performance Paradox

Introduction

Recent research has revealed some startling, but not surprising conclusions about project performance. While most companies have invested, in many cases heavily, in project management (PM) and quality processes, by far the most common failure in project performance (on-time, on-budget, quality) is <u>the inability of delivery teams to get the right person in the right place at the right time</u>. Off-shoring, near-shoring, globalization, price pressures, increasing competition – all things we read about and deal with every day have changed the way we need to manage our labor pools. Yet, investment continues disproportionately in (favor of) PM and quality systems and methods, while failing to adequately invest and address human capital challenges fundamental to the processes project management and quality systems depend on.

While RTM Consulting feels quality and PM processes are essential to effective project performance, we also suggest that failure to implement a well-articulated (and documented) resource management methodology and associated processes will prevent investments in quality and PM processes from yielding consistent long-term benefits. To be fair to the consulting world, innovation in resource management has lagged behind many excellent developments in PM and quality processes over the past 30 years. But now new management methods are emerging and being put into practice, and new automation technologies are changing the way in which we are able to address resource management in a systematic way and get to the core of what really impedes our ability to perform effective project management.

A look back to another analogous industry transformation provides some helpful insights for consultants struggling with effective resource management. Roughly thirty-five years ago the manufacturing industry embarked on a journey to transform itself from a carryover of the industrial revolution to more efficient ways of creating products using modern technology. This included the introduction of robotic gear to replace manual labor tasks with technology that could perform the same work at a lower cost, and with higher and more predictable quality. The industry also began to understand that it needed to find ways to both eliminate the cost associated with idle inventory and lower lost opportunity costs due to short supply of parts when a peak in demand occurred. This was the beginning of what became known as just-in-time manufacturing, whereby parts are predictably supplied at precisely the time needed and timed to always changing demand forecasts. Supply chain methods incorporating sophisticated forecasting techniques improved the linkages of the entire lifecycle of products thereby improving overall efficiencies and effectiveness of bringing products to market.

Remarkably, the consulting and professional services industry finds itself in a similar state as the manufacturing industry was in thirty years ago. Simply said, processes, methods, and tools have failed to keep pace with the large disruptions in traditional labor sourcing and management methods. Unfortunately, too many companies have responded with stop gap and tactical measures, in many cases compounding the problem or delaying the inevitable need for real process change. Reasons (excuses) for low or inconsistent billable utilization are often accepted as best practice, with the unpredictable nature of people used most commonly to 'explain away' anything less than consistent full utilization of billable resources. This white paper, and proven next generation solutions in this area, will seek to dispel the myth that you cannot manage billable utilization of human capital in a manner similar to the manufacturing industry. It can be done and is being done!

The Business Imperative for Just-in-Time Resourcing® (JITR)

Economics:

Over the next decade, growing competition and marketplace change will continue putting unprecedented pressure on service providers to rapidly adapt and innovate in every facet of service delivery. Effectively and efficiently sourcing and managing resources will be the new high-water mark for the industry. Similar to how manufacturers learned through advanced inventory planning techniques to have the right parts available at just the right time, services providers are now challenged to provide the right resources at the right place at the right time - 'Just-in-Time Resourcing®.'

Interestingly, most professional services providers today struggling with utilization problems and resulting high labor cost have reacted by pushing labor offshore to lower average hourly labor costs. While off-shoring/near-shoring are certainly a desirable and necessary part of the strategic labor equation, implementing better resource management techniques is necessary to address the strategic need for sustainable business transformation.

Analogous to targeting near-zero inventory for a manufacturer, professional and consulting services providers should target near-zero non-billable time[1] of on-board resources. Table 1 illustrates the economic value of efficient management of utilization.

# of Billable resources at $150/Hr.	Annual Revenue from 1% Increase in Billable Utilization	Annual Revenue from 7.5% Increase in Billable Utilization	Annual Revenue from 15% Increase in Billable Utilization
1	$3,120	$23,400	$46,800
25	$78,000	$585,000	$1,170,000
100	$312,000	$2,340,000	$4,680,000
750	$2,340,000	$17,550,000	$35,100,000

Table 1

Since idle resources are a sunk cost, the revenue amounts in table 1 drop straight to the bottom line as profit.

Project Performance (on-time, on-budget, quality):

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[1] After allocations for vacation, sick leave, training and required administrative time.

Given the current economic climate, competition is fierce. Margins are tight, and therefore the stakes for effective management of projects has gone up. As mentioned in the opening of this white paper, the evidence is compelling for the need to have the right person in the right place at the right time. Case in point: the data is clear that when a project starts with the right team on day 1, the odds of success are immensely better than a project starting with the wrong team on day 1, or starting late, period. Project delays, personnel changes and churn, project errors, and more are the results of having the wrong project staffing. And as overall quality begins to suffer, so does client satisfaction.

Therefore, implementing the ability to get the right person in the right place at the right time – Just-in-Time Resourcing® is mission critical for today's consulting and PS teams. The remainder of this paper deals with what building a first class JITR solution requires.

Building the Foundation for JITR

A full JITR solution, described later, is underpinned by a Global Resource Management (GRM) methodology pioneered by RTM Consulting. The key elements of GRM are:

Building Necessary Infrastructure: Effective GRM is highly dependent on building a foundation of necessary infrastructure/processes required to manage skills inventories, skills usage, skills building, resource allocation, project and change management, and measurement input for financial, quality, and operational management purposes.

Effective Resource Pool Management: Effective management and execution of the aforementioned processes requires discipline and organizational commitment to the investment and execution necessary to implement GRM processes. This critical element defines at a minimum how we manage our pool of human capital including capacity, skills mix, geographic mix, people development, compensation, and deployment choices, all with the intent of 'feeding' a Just-in-Time Resourcing® process.

Definition of Core Solution Offerings: To facilitate more 'product like' or 'repeatable' attributes of labor requirements means driving more packaged service definition and sales.

Measuring and Monitoring: Development of supporting measures necessary to monitor effective execution such as utilization, quality, project effectiveness, costs, revenue, and profits.

Infrastructure Elements

There are five key elements necessary for effective GRM infrastructure. They are:

1) Effective demand forecasting:

The forecasting process, irrespective of a company's organizational construct, must facilitate as precise an estimate as possible of need, by person and skill, by month, to span the necessary hiring horizon. Effective interlock of the forecast and resource plan with sales / account management is imperative.

The outcome of demand resourcing for consulting and professional services affects many stakeholders throughout the enterprise. Finance wants to forecast expected results to satisfy lenders, shareholders, and for public companies SEC or other governmental regulations as

appropriate. Delivery teams need the right information to ramp up or down in anticipation of meeting delivery schedules. Sales teams want on-time project initiation and quality implementations, resulting in happy customers. HR needs to know if they are expected to be recruiting (both hiring and contracting), and if so, what skills are needed and when. And so on.

Therefore, some **key objectives** for effective demand forecasting include:

- Financials
    - Enable accurate financial planning
    - Achieve sustained high utilization

- Revenue
    - Identify sales trends
    - Avoid missed or lost opportunities resulting from resource shortages

- Capacity Management
    - Alignment of the sourcing plan, both hiring and contracting (quantity)
    - Enable skills planning (content and quality)

- Delivery
    - On-time and on-budget
    - Consistently high quality

Resulting **benefits** from effective demand forecasting include:

- Enables a more predictive (vs. reactive) management system

- Lowers costs through reduced idle / non-utilized time

- More satisfied customers and employees

- Leads to more revenue and profit!

- Supports a Just-in-Time Resourcing® solution

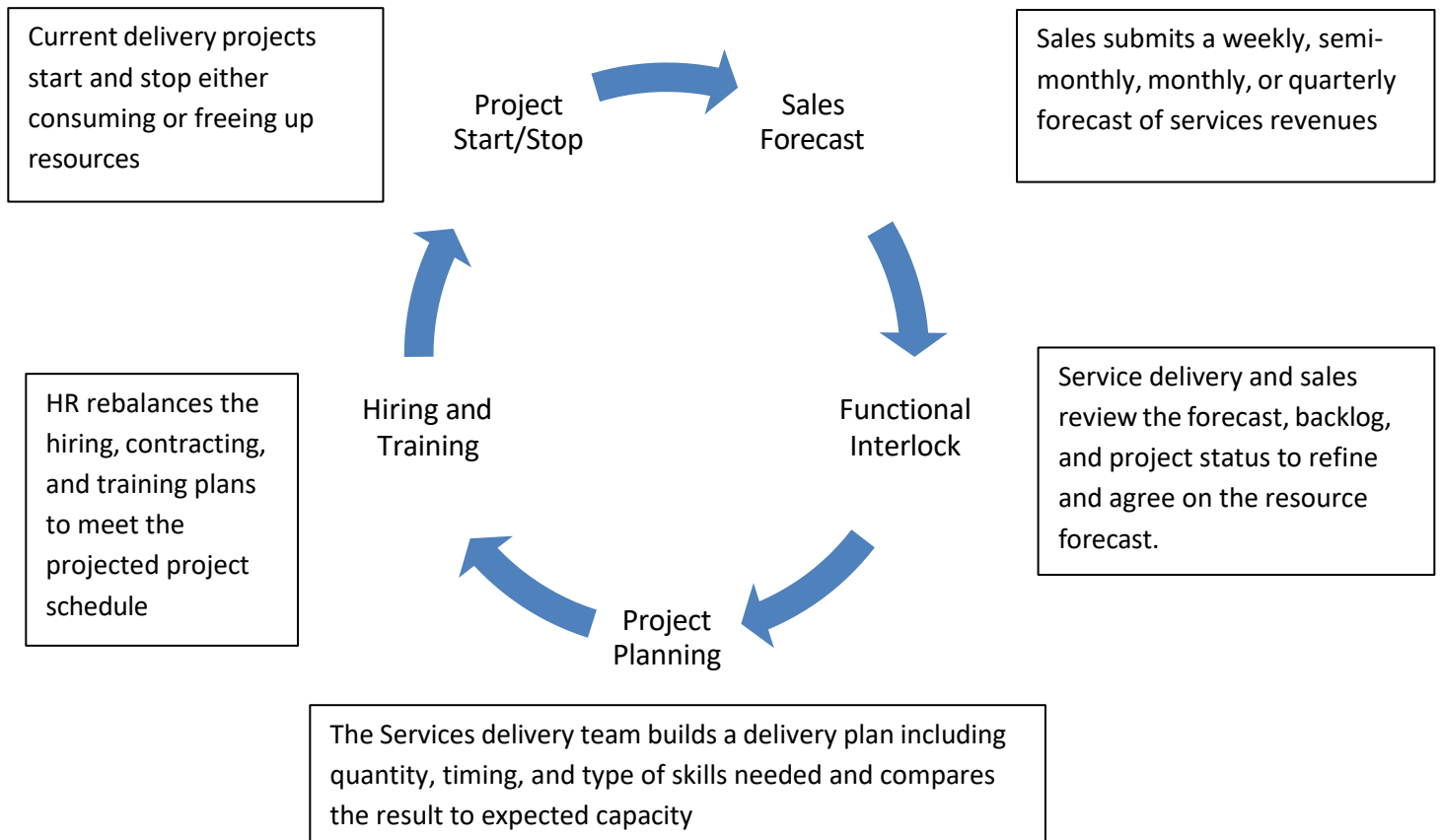There are essentially **five steps to the demand forecasting lifecycle** as depicted in Figure A below:

Current delivery projects start and stop either consuming or freeing up resources

Sales submits a weekly, semi-monthly, monthly, or quarterly forecast of services revenues

Project Start/Stop

Sales Forecast

Hiring and Training

Functional Interlock

HR rebalances the hiring, contracting, and training plans to meet the projected project schedule

Service delivery and sales review the forecast, backlog, and project status to refine and agree on the resource forecast.

Project Planning

The Services delivery team builds a delivery plan including quantity, timing, and type of skills needed and compares the result to expected capacity

Figure A

2) Responsive recruiting:

Traditional methods of recruiting people include use of recruiting firms, hiring fairs, web-boards, etc. Today's environment requires less expensive and more responsive approaches to recruiting. A proven technique is the adoption of "warm pool" recruiting, driven by a continuous recruiting process vs. the start/stop method deployed by most firms today. The warm pool approach invests in appropriate methods to create "warm" candidates in a pool that are recruited into permanent roles supporting a "just-in-time" hiring system to meet specific job or project needs.

3) Peak-load workforce strategy and planning:

The peaks and valleys of resource demands can make the process of maintaining a consistent level of "permanent" resources difficult. Hiring and firing people with every change in your resource demand profile is not workable, particularly from an employee morale point of view. Establishment of a temporary (contract or partner) pool of resources will help smooth the peak-load demands of your business. Management should identify as best possible a steady-state

level of human capital required, with peak-load planning applied to the 'above the line' estimates.

4) The Resource Management Office (RMO):

Human capital should be considered the assets of the company, not a particular department. This means breaking down any departmental fiefdoms which may exist to free up under-utilized resources for the benefit of the enterprise. For medium to large enterprises, transparent and centralized skills inventories, and management of the processes necessary to effectively manage the resource pool is a necessary and beneficial investment. Particularly where the resource pool is/should be shared across organizational boundaries, the RMO with its position of neutrality, can help break down the departmental fiefdoms that sometimes exist and enable the free flow of resources from one area to another.

5) PS Automation systems:

Many PS firms today manage their resources with simple tools generally not up to the task of today's business needs. Considering the impact of just a few points of utilization of a typical labor pool, justification of investment to automate is usually easy. Additionally, available automation tools help stream-line processes and data entry – thereby reducing the administrative burden on your PS staff. Resource management software (also commonly a component of PSA software) exists to create a data base of resource pool information, enter and track project needs and progress, factor in future demand forecasts, and produce reports/queries capable of simplifying the task of project staffing that might otherwise be done manually (a human element is still needed to finalize resource selections). The deployment task typically falls to expensive department managers, partners, or other leadership team members representing a monumental waste of your most valuable talent.

Resource Pool Management

How you manage the resource pool is very important, and a key dynamic of a JITR solution. Key considerations for effective management of the resource pool are:

- Organizational considerations – establishing the "resource pool" – breaking down the fiefdoms – this is probably the toughest issue most enterprises will tackle. Corporations need to adopt shared resource pools for services, much in the same way companies have done for other more commonly shared services such as finance, human resources, and legal support.

- Strategic sourcing – the determination of whether you will in-source or out-source work, and where you will locate the resources either on-shore or off-shore. These decisions affective time, distance, and cost considerations and all must be optimized.

- Managing resources centrally while providing the needed level of specialization in each region globally. This requires a different approach to resource management. A recommended approach is to create Centers of Excellence in certain skills or service offerings where depth of resource and thought leadership is needed. The centers should be dispersed and shared across your geographic regions.

- Finding the best balance of cost and skills – Every customer wants the "A" players on their project. The art to staffing a project is to find the right balance of cost, skills, and project management. Sometimes resource availability will dictate use of a labor from higher cost

pools than desired, or vice versa. Re-balancing the base of skills is a constant exercise requiring continuous discipline and process improvement.

- Talent management and retention:
  - o Training – Programs for rapid and cost-effective skills building.
  - o Career management – Your firm should provide appropriate career planning and identified progression steps demonstrating a clear career ladder.
  - o Job rotation programs – Consultants/PS employees commonly like to learn new things, take on new challenges.
  - o Competitive compensation – There are lots of materials available on this subject from third party sources.

Definition of Core Solution Offerings

To facilitate more 'product like' or 'repeatable' attributes of labor requirements means driving more packaged service definition and sales.

--The Case for Packaged Services

Create powerful differentiation for your company while making the job of resource management easier at the same time – sounds like something worth doing! For years, manufacturers have known that designing a product with the intent to build it in volume, paves the way to fatter margins, improved quality, lower costs, and more predictable resourcing. Welcome to the future of technology professional services and consulting.
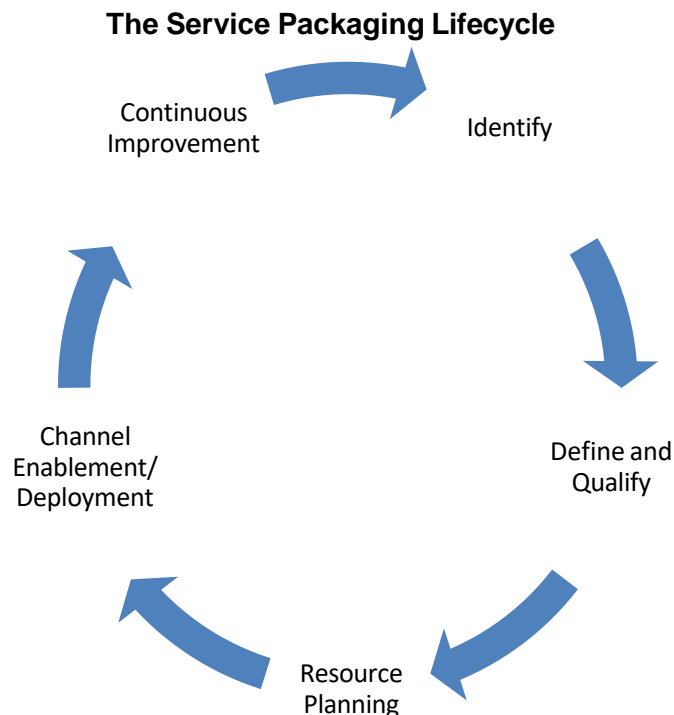
--The Benefits of Packaged Services for Your Portfolio

Companies that have learned, or are learning to package services, are realizing the benefits of this approach including:

- Generating more product pull-thru, and overall larger (revenue) deals

- Opening new doors with an expanded or more compelling value proposition

- Achieving improved predictability of resourcing needs (you know what it takes to deliver, therefore you can more accurately forecast demand and plan for the needed resources) leading to higher utilization and lower costs

- Delivering better quality through consistency and repeatability (when the packaged services are delivered using a process-oriented methodology)

- Higher margins

--Executing the Services Packaging Lifecycle

To get started, follow the steps that a product manager would: a) Identify/research where there is an intersection of client need and your perceived core competency b) Define and qualify elements of a unique service (like a product plan) to solve the business need and find a beta client to test/refine the idea c) Forecast and plan your resource needs d) Train/enable your distribution channel, and market/launch the service e) Build a closed loop feedback mechanism to keep improving the offer. The lifecycle looks like this:

The Service Packaging Lifecycle

Continuous Improvement

Identify

Channel Enablement/ Deployment

Define and Qualify

Resource Planning

The depiction of this lifecycle is somewhat oversimplified to fit the introductory nature of this paper into services packaging and services management (the services packaging discipline equivalent to product management). However, the basic fundamentals identified in the above exhibit help communicate at a high level what is necessary to properly package services. In the services world, the discipline of managing a services portfolio is sometimes called services management, analogous to product management in a product world. More on the role of the services manager is provided later.

Measuring and Monitoring

There are both quantitative and qualitative methods for measuring success of your resource forecasting process, and of course the effect on project performance. Quantitatively, start by establishing your baseline and measure improvements in the following:

- Utilization – Look for results that meet or exceed industry norms, and equally important look for consistency – does utilization go up and stay up? Effective process change will produce

consistently improved results.

- On-time delivery performance – While there are many factors that influence timely delivery, certainly having the right resources available at the right time and place makes a difference. Look for improvements and consistency of schedule performance.

- Cost performance – While there are many factors that influence project costs, certainly having the right resources available at the right time and place makes a difference. Look for improvements and consistency of cost performance. This includes: optimal use of overtime, costs to hire/train, and cost per full time employee.

- Client and sales team satisfaction – If you measure client and sales satisfaction, these measures can be important barometers of the positive impact of effective a JITR solution.

- Quality – Most well-run Consulting/PS organizations will have some method to measure quality. Getting the right person in the right place at the right time will always have a significant bearing on the quality of projects.

Qualitatively, there are many ways to measure success. Each organization will find methods suitable to their needs. Some commons ones include: looking for a decline in fire drill inquiries from the CFO or finance team, resulting from improved forecasting accuracy, or a change in the role of a typical Consulting/PS manager morphing from a reactionary role to a more predictive (and enjoyable) one. Your clients will notice the difference, and comments internally or externally will become more positive and supportive.

Implementing a Just-in-Time Resourcing® Solution

Not too different than implementing a Just-in-Time Manufacturing solution, the application of JITR techniques to human capital follows a similar path. Using the foundational GRM elements described earlier in this paper, implementation involves building the six capabilities/processes of the resource management wheel. These capabilities/processes are not necessarily sequential in how they must be implemented, but each step important to the outcome of a true JITR solution.

Closing comments

JITR is a major shift in the way professional and consulting services companies will/must manage in the future. The benefits of effective JITR execution can be substantial in terms of resource utilization and laying the foundation for effective application of PM and quality processes ultimately leading to effective project performance. As more technology companies expand their solutions portfolios, the need for effective resource management disciplines will continue to grow.

About the Resource Management Institute (RMI)

The Resource Management Institute is dedicated to the advancement of resource and workforce management thought leadership, best practices and standards, globally recognized credentials that certify resource management expertise, and tools and resources necessary for effective and efficient management of human capital-intensive businesses. The Resource Management Institute was created to provide the resource and workforce management community a vehicle to advance the discipline of resource and workforce management, and further the interests of the people who make up this community and the companies they work for. Visit us at www.resourcemanagementinstitute.com and on LinkedIn.

About RTM Consulting

Specializing in Resource Management, Project/Portfolio, and Services Business Optimization, RTM Consulting helps IT hardware, software and support services organizations achieve the benefits associated with successful services portfolios. With its unique Just-in-Time Resourcing® solutions and Business Acceleration Services, RTM Consulting helps large, medium and small firms move beyond theory to practical application of industry best practices and achievement of exceptional results in the shortest possible period of time. For more information please contact RTM Consulting at info@rtmconsulting.net or www.rtmconsulting.net.