

## **Cut costs, but not performance, with project management software**

### **How professional service organizations are succeeding in a pricing pressure-filled world**

By [Consulting Magazine Custom Media](#)

#### **Pricing pressures**

The move toward outsourcing, industry talent wars, and increased competition are all contributing to pricing pressures in the professional services industry.

The U.S. consulting sector holds information about its profit margins close to the vest. But a similar study by the U.K.-based Management Consultancies Association reports that while the overall U.K. consulting industry achieved 18 percent growth in revenues between 2005 and 2006, revenue per consultant fell 6 percent overall during that same time. Since 2003, revenue per consultant has dropped 12 percent.

The situation is similar in the United States. "Clients are much savvier in terms of how they procure consulting services," according to one industry observer. "A lot of developing shared services organizations are hiring former consultants to act internally. These internal consultants are helping procurement departments set performance and pricing benchmarks, and cutting down the pool of vendors," he adds.

Some clients are getting so bold that they're not afraid to ask professional services firms to divulge the hourly rates for partners, consultants, and analysts, he adds. Call it arrogance. Call it bravado. Call it supply and demand.

"Globalization has increased competition and maybe even led toward a commoditization of services," says David Hofferberth, managing director at Service Performance Insight, a Cincinnati-based research firm covering technologies that impact the services sector. "As globalization persists, he says, "...you're going to start competing a lot more on price. The net effect is—even though these firms are successful and profitable, their margins have been hurt to a degree—you inevitably reduce investments in business growth."

#### **Enhancing performance**

One way professional services firms can achieve greater efficiency and cost savings is by implementing a streamlined, automated project management solution. These solutions can also provide better business intelligence, reduce paperwork, improve data consistency, and increase user and client satisfaction.

A study by the Boston-based Aberdeen Group shows that a centralized project management solution can reduce invoice cycle times by 33 percent, or 1.6 weeks. Likewise, when firms automate the tracking of resources, billable utilization increases by 8 percent, according to Aberdeen.

"To really succeed in this competitive environment, the leadership of professional services firms need to balance their focus on both automation and business insight," said Eric de Jager, director of Microsoft Dynamics SL for Microsoft. Automation is clearly important to helping cut costs, making teams more

efficient, and reducing the "time to invoice"—a measure of the number of days it takes to represent a billable activity on a client's invoice. Using analysis applications that optimize the use of data stored in business systems which make automation possible can be the crucial key to achieving insight needed by management to help grow the company. "Applied to a business in conjunction with each other, products like Microsoft Dynamics and Microsoft SQL Server Analysis Services really excel in helping management take a company in the right direction."

ICI invested in an automated, enterprise-wide approach to project management, which has increased its workforce efficiency, developed its project management maturity, and delivered more consistent information, which is leading to better insight into project-related business processes and informed clients.

### **Seeing results from a project management solution**

The division achieved a 5 percent efficiency gain in its first year, and more than 10 percent in the second year. With that efficiency comes cost savings. The system "encourages us to do more up-front planning," Cikins says. "A more streamlined process saves money for both us and our clients."

Hofferberth cautions that project management software solutions are only effective if they're adopted by the entire organization. "It's not a magic bullet," Hofferberth says. "You have to embrace it with executive buy-in and training for staff."

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