"Productivity IS the Key to Unlocking Bottom Line Profits"

In today's economy, there is enormous pressure to increase bottom line results. Darwin is alive and well in the post dotcom business world, and only the strong will survive. Now more than ever, bottom line performance is critical to success…and optimum performance is a key issue for today's executives. In professional services and consulting firms, employees are the assets that drive revenue. To assure maximum revenue, these assets must be effectively managed to deliver the utmost revenue-generation productivity. The challenge comes in how to manage this productivity, when we do not have the tools readily available to measure the productivity of our workers. Attention to the right details, combined with the right set of tools, can change our business from marginal to very profitable.

The Opportunity

Very often, it doesn't necessarily take a huge effort to change a company's bottom line from loss to profit, or to dramatically increase the profit margins of an already profitable firm. It just takes some attention to basic details that drive revenue; details like the billable hours of the employees and continuous comparison to goals. In economically tough times, even small changes in overall employee productivity (translated as increased billable hours and revenue performance) can make a large impact on bottom line. I've worked with numerous firms who simply didn't have the management processes or tools in place to effectively manage employee productivity. Giving management the tools they need can achieve dramatic improvements in revenue, profitability and overall employee satisfaction.

Let's take an example firm and show the impact of productivity management. Our firm has 100 billable consultants, with an average hourly rate of $150. The firm expects an average of 200 billable days, or 1600 hours, from its consultants on an annual basis. Based on the above assumptions, this firm should be billing $24M in annual revenues. Yet the firm is currently operating at a 70% level of that target (many firms are operating even below this level).

Why is this firm operating so far below its potential? Why don't executives see the shortfall and manage it? Here are some of the reasons I've seen through the years.

- The most basic? People aren't meeting their expected productivity levels, and no one can see it clearly. There's no way to collect productivity data, and no way to manage it if the data was collected.

- Superstars aren't always superstars. I've seen "superstars" who were loved by clients and employers alike; consultants paid the highest salaries, be the lowest in terms of productivity. Sure, they play golf with the clients, take their teams to lunch every Friday…but they bill only 50% of their potential billable hours. And yet their overhead salary remains the same. And no one notices.

- Employees don't understand their impact on bottom line profits or what management expects of them. Consultants simply don't know what their goals should be, and they have no means of knowing where they stand against those goals. In product driven companies, we monitor sales performance based on goals, in a continuous fashion. Yet often we don't provide or monitor consultants' performance goals.

Productivity is the lifeblood of any consulting organization, whether it is IT services, financial, engineering, etc. In the above example, by simply increasing the productivity of each employee in the firm by 1 hour per week, profits increase by nearly $1 million per year. Those are results we simply cannot afford to ignore in today's economy.

Turning the Key

In every firm, the executive team already knows, or should know, the revenue potential of its consultants. When goals are set at the top for the whole organization, the company needs to help every work team and individual in the organization understand their contribution to those goals. This alignment of corporate revenue goals can dramatically increase the focus and dedication of individual teams to meet the targets.

What today's business executive needs is to pay attention, every day, to the productivity and performance of every revenue-generating employee. And they need the tools in place to monitor productivity quickly and easily. Here are a few easy steps I take to make productivity management work for me:

- What you can measure you can manage. Utilize systems and products that provide an effective method to collect productivity data and manage revenue goals across the business. Productivity goals, annual, monthly, daily, must be set and distributed to each and every consultant, transferring accountability for individual revenue contributions to individuals across the organization.

- Give executives a report that shows them every day and at-a-glance where their overall organization stands with relation to set productivity goals. Alert them quickly to potential shortfalls and immediately identify where those shortfalls are being generated, at the project, team and employee level.

- Managers must then monitor individual performance, again via a simple report, to ensure success. Projects, clients and employees must be managed and prioritized to assure optimum productivity and effectiveness.

- Every employee needs to know exactly the revenue level he or she is accountable for, and where they stand against that goal, every day. A simple interface must show them their actual productivity as compared to their goals, and potentially their ranking in the overall team or organization (if you really want to motivate performance).

Individuals, managers and executives all need to understand that a focus on increased productivity is the key to dramatic increases in success. Everyone needs to pay attention and be held accountable….and the profits will soar.

Energizing the Organization

Every individual, and every team within your organization, wants to be a winner, and if they clearly understand the goal, its importance and believe it is attainable, they will put out that little extra to go over the top.

Take for example, the CEO of a 300 person IT consulting organization. This organization has 30 sales staff, 225 consultants and 1 support staff for every 5 consultants. Average revenue per consultant is $150,000 per year giving total revenue of $34 million and a profit of say 10% or $3.4 million. In this organization, the billable staff is averaging 150 billable days per year or 65% utilization. Management knows, that we should be able to hit an average of 160 billable days per year.

Following 5 steps can align the organization aligned to achieve the corporate goals to hit 160 days per consultant.

1. Make Productivity and Utilization a corporate goal.

2. Set targets for each team and each person.

3. Automate time recording with clear goals for billable hours.

4. Motivate the teams and individual employees with personal goals.

5. Provide corporate wide visibility on how each team and person is doing.

The result? CEO's take the challenge and headache of the corporate goal and transfer it to 300 people. They want to be successful. Every day when they enter their billable data, they know where they stand, and where their team stands. Peer pressure and the natural drive to win kicks in. Now 300 employees are working every day to hit the target.

PROFIT INCREASES BY $2.25 million or 66%.

The critical element in the entire process is to get all employees aligned on their contribution to the goal of increasing revenue. They are all smart people and they want to succeed.

1. **Set the Goals.**
2. **Let them know.**
3. **Show them where they stand every day.**

Can you afford not to measure and manage employee productivity?