Kantata

Walking the Tightrope: Equipping Decision-Makers to Balance Key Priorities With Confidence

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Moving Forward With Confidence

In the world of professional services, companies exist to provide work for other organizations, and this focus on clients ultimately dictates the success of a business. However, every company must ensure that it's as focused on its own people as much as it's focused on the needs of clients. For most, this balancing act is easier said than done.

Each decision made by a professional services organization has the potential to disrupt the delicate balance needed between three priorities: client loyalty, profitability, and workforce retention. Every project becomes a tightrope, and businesses that don't have the right tools will be performing their tightrope walk without a safety net. Lean too hard in any one direction at the expense of the other two priorities and you're liable to fall off and disrupt the long-term success of your business.

What it comes down to is understanding what the right balance is for your organization.

Too Little

Actions aren't enough to make this priority equal to the others

Just Right

Actions keep this priority in focus without sacrificing the needs of the other two priorities

Too Much

Actions overemphasize this priority at the expense of the other two

Every decision-maker needs three things — clarity, control, and confidence — in order to take that next step. It's not enough to simply stay in place and try to maintain balance; that's a reactive, stagnant business. It's crucial to move forward, to take decisive action, to turn potential energy into kinetic energy. But without the ability to know how your actions will affect your business, the next step can be too scary to take.

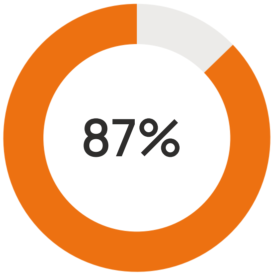
This eBook will help you understand the challenges presented by each professional services business priority, how to solve them, and what you need to do to maintain the balance among all three.

Balancing Your Three Essential Priorities

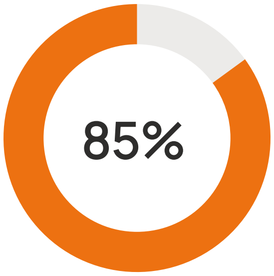
Recent research commissioned by Kantata and conducted by Forrester Consulting titled "Vertical SaaS For Professional Services Is Driving Material Benefits" found that the vast majority of professional services organizations are prioritizing initiatives that maximize profitability, client loyalty, and workforce retention.

As part of this research, 383 professional services decision-makers were surveyed.

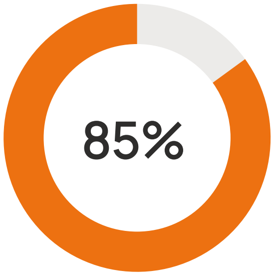
Priorities of PS Organizations



said creating loyal clients was a high or critical priority



said maximizing profit was at least a high priority

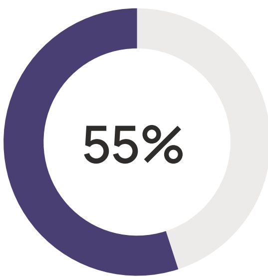


said growing and retaining their workforce was a high priority

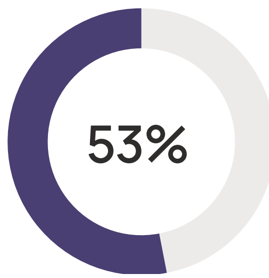
However, achieving these priorities is a major challenge.

The majority of organizations feel they have a significant amount of room to improve in these areas.

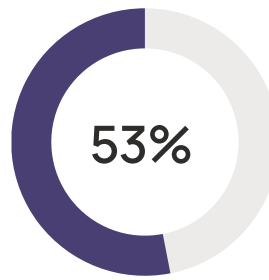
Challenges of PS Organizations



of organizations are seeing lower than expected profits



are experiencing poor retention of clients



are experiencing poor retention of employees

This illustrates a major misalignment between objectives and capabilities in today's organizations.

Understanding what makes achieving these priorities such a major challenge today and finding the right solution is critical for long-term, sustainable business success. But just as important is understanding that overemphasizing any one of these can cause issues that impact the other two priorities.

What can you do to find balance and walk the tightrope?

01

Creating Loyal Clients

Every businessperson knows this: the customer is always right.

It's not enough to get projects to the finish line. Long-term success isn't possible in the professional services industry without loyal, satisfied clients. These are clients who come back for return business and who become your best advocates. A business that consistently drives profits or maintains consistent workforce utilization and balance at the expense of their clients may see short-term gains but has a shaky future.

However, sometimes businesses fall off the tightrope by being too accommodating to their clients. After all, professional services clients are in search of high quality work and typically do not know the true cost of what it takes to provide it. If customer demands aren't kept in check, healthy project margins are at risk.

Keeping your clients loyal, your profits healthy, and your employees happy is a matter of getting the balance in your professional services work just right. But what does that look like?

Measuring the Balance

Too Little

Businesses try to increase profit margins as much as possible and decrease allocated resources to the bare minimum dictated by a statement of work (SOW), often forcing team members to cut corners to deliver the expected results. While this may seem like the easiest way to fulfill client demands on the cheap, it's likely that clients will notice the quality of goods and services being below the standards they have come to expect.

Just Right

Clients are provided with high quality work, in line with the parameters set by a project SOW, delivered on time, while still being profitable to the professional services provider. Meanwhile, the work needed to be done is well organized, done over an appropriate period of time, and keeps employees satisfied with their daily work at the business.

Too Much

A professional services business that sacrifices their profits and the wellbeing of their employees for the sake of a happy client will likely create a very loyal client that knows they are getting far more value than what they paid for, but risks the health of their business and their workforce in the process. If employees are overworked and burn out, it can lead to turnover, which jeopardizes the resilience of a business - clients can't be loyal to a company that goes out of business.

The Challenge

Research shows that creating loyal clients while maintaining profitability is proving to be challenging for the majority of professional services organizations – 53% of businesses experienced poor retention of clients, 50% had poor client satisfaction, and 50% reported an inability to collaborate effectively with clients.

53%	50%	50%
Experienced poor retention of clients	Had poor client satisfaction	Reported an inability to collaborate effectively with clients

Source: Vertical SaaS For Professional Services Is Driving Material Benefits, September 2022. A commissioned study conducted by Forrester Consulting

Even when most work is done by the professional services provider, collaboration with clients is crucial in setting expectations, getting necessary feedback and approvals, and providing work that is up to the standards clients expect. In the event that clients are dissatisfied, retention rates quickly drop as clients search for another business that might live up to their expectations.

All of these barriers to client loyalty could lead to high client turnover rates, which is also a recipe for unpredictable return business and an uncertain future. Many businesses in this situation are forced to spend more time trying to secure new business (a daunting task with fewer clients willing to be advocates), leading to a higher likelihood of lower profits and unhappy employees.

The Solution

The keys to sustainably balancing great client experience with other priorities are healthy communication with clients and detailed management of project expectations.

When clients become dissatisfied with your work, your first instinct is most likely to work harder, sacrificing your projected profit margins and the healthy utilization rates of your team members to meet your client's expectations. However, these expectations are often not realistic.

If a client begins asking for more work than what was originally agreed upon, having a signed SOW in hand will help your project managers work with them to expand the scope with additional cost and realign due dates in accordance with the additional work. Scope creep in projects is extremely common, but left unchecked this will quickly eat into profits and put much more work on the shoulders of your employees. Remember that you can only do so much to keep clients satisfied and that some clients will be better served taking their unrealistic expectations elsewhere. With practice, you can set appropriate project expectations, keep clients up to date on progress, and deliver high quality work on time and under budget. Set a standard for how much scope creep you are willing to tolerate and what processes project managers should follow when the changing scope of a project becomes unhealthy for your business.

02

Maximizing Profits

Every business exists to make a profit. If a professional services business isn't financially viable, it won't be able to survive or continue to provide goods and services that clients need.

Being a profitable company means more than just billing clients for the work you do. It means knowing what costs it takes to run a business, the true worth of the services you provide, understanding the future financial needs of your company, and keeping a careful balance between what you will need to spend in order to appropriately scale while maintaining profitability. Everything must work in lockstep with one another to not just maximize profits now, but be profitable in the long run.

Another challenge in maximizing profits is knowing when to implement changes that will make your business more financially resilient. Are there signs that your margins are continuing to shrink? Is the market strong enough to start charging more? Are your clients loyal enough to stick around through cost increases?

Charging more and shrinking your daily costs can negatively impact both clients and team members. But when done right, maximizing profits can benefit both.

Measuring the Balance

Too Little

When it comes to both client engagement and workforce utilization, the business is literally leaving money on the table. This may build loyalty among clients and employees, but the business they are loyal to is on shaky ground as the company consistently fails to hit quarterly and yearly revenue targets. Half-measures may be enacted to improve profitability without undermining what clients and teams have grown accustomed to, but these changes do not have a lasting impact on profitability and instead only create the illusion of change.

Just Right

Profits are maximized when business leaders can make data-driven decisions about where resource usage can be optimized, where it is appropriate to increase costs, what business is being lost that should be won, and which monthly or annual costs are unnecessary. Leveraging and sharpening everything your company is doing right and removing its inefficiencies pays off, avoiding the pitfall of enacting sweeping - and sometimes unnecessary - overhauls that can damage both client satisfaction and employee engagement.

Too Much

Managers begin slashing costs of doing business and enact significant price increases to boost profits from both sides of the financial equation. But despite the sudden rise in profits, clients will be unhappy with unexpectedly paying more for the same work and employees will be stretched by smaller teams and less financial support for their daily needs. The result is that both clients and team members are more likely to leave.

The Challenge

Research shows that maximizing profit is a serious challenge for many businesses, with 55% of organizations reporting that they were very challenged by lower than expected profits. Multiple obstacles stand in the way of profitability - 58% of respondents say they lack visibility into plan/baseline vs actual performance of projects, and 56% say they lack the data/insights needed to engage in robust forecasting.

55%	58%	56%
Had lower than expected profits	Lacked visibility into plan/baseline vs. actual performance of projects	Lacked data/insights needed to engage in robust forecasting

Source: Vertical SaaS For Professional Services Is Driving Material Benefits, September 2022. A commissioned study conducted by Forrester Consulting.

Having lower than expected profits is a major issue for any business and can reveal that business assumptions are being made with inaccurate data. Without visibility into plan vs actual performance, no one can see where projects go wrong or know when to make corrections to project plans to turn things around. And without accurate forecasts, business leaders have no sense of direction of travel, hindering their ability to course correct to align with the work they're expected to do in the coming weeks and months.

This all comes back to a lack of data that not only prevents forecasting, but in general limits the ability of managers to understand their business.

The Solution

The key to sustainably balancing profitability with other operational priorities is to first analyze where your business is unnecessarily losing money right now and where your resources can be used for a better financial future.

Are your employees spending too much time on non-billable work? Are you allowing scope creep to cut into your projected margins for projects? Are there unnecessary software solutions that are costing thousands of dollars every year without delivering sufficient return on investment? Even seemingly small changes to your business will have the potential to significantly shrink costs, boost revenue, and impact profitability.

From there, bigger decisions can be made about how to price services and adjust the size of your resource pool, but you will need to be sure you are building on a foundation of robust, reliable data, with a particular focus on project performance against plan and accurate forecasts.

03

Growing and Retaining Your Workforce

Most companies aspire to grow at a continuous and healthy rate, expanding their teams and the amount of services they provide to continue attracting and retaining clients. But scaling is much more complex than simply hiring more people as they are needed.

Growth and retention means understanding what your employees need to stay loyal to your business for the long term, whether your company needs more full-time, part-time, or contract workers, and where your company structure needs to change.

Business growth often focuses on improving billable resource utilization rates, but utilization and other indicators are about more than just money, they are about understanding what's affecting the people that are crucial to your business. A business can be living up to both financial goals and client's expectations, but if that success is built on the back of an overworked or overstressed workforce, that success may be fleeting. How do you make sure your business is a place that both internal and external people want to be and are excited to work at?

Successful, growing businesses mitigate turnover rates by creating a great workplace that talented people want to join and build their careers at. But the happiness of employees must also mean consistent, high quality work delivered to the right clients at the right price.

Measuring the Balance

Too Little

Efforts to improve employee satisfaction are cosmetic changes to how the business works instead of long-lasting alterations that are meant to improve the day-to-day lives of resources. In these instances, a business is unwilling to spend more or change how they work with clients for the sake of employees and instead provides small "perks" that only boost morale for a short time. Team members can quickly grow frustrated if changes are not meaningful or sustained.

Just Right

Listening to feedback from employees and making tangible improvements to day-to-day business processes will show that employees are being heard and reinforce your commitment to workforce retention. These improvements may initially dip into company profits but will have the most positive and lasting effects possible.

Too Much

Businesses over-invest to meet employee demands, increasing costs that eat away at profits. Workloads may be lightened by over-hiring while projects experience delays which also decreases profits and can frustrate clients. Improving employee experience may keep your team happy, but it shouldn't be at the expense of your bottom line or the needs of clients.

The Challenge

Research illustrates that, just like all industries, the professional services world is struggling with employee retention as shifting employee expectations and business offerings have grown out of sync — 53% of organizations say they are very challenged by poor retention of employees.

This challenge is exacerbated by an inability to predict project resource needs in advance (59%), and struggles collaborating effectively with their external workforce (50%).

53%	59%	50%
Are experiencing poor retention of employees	Reported an inability to predict project resource needs in advance	Have an inability to collaborate effectively with their external workforce

Source: Vertical SaaS For Professional Services Is Driving Material Benefits, September 2022. A commissioned study conducted by Forrester Consulting.

High turnover rates quickly hurt company profits as organizations are required to invest in recruiting and onboarding and inexperienced teams are unable to quickly deliver work to clients. And without being able to understand resource needs and collaborate well with external workers like contractors, today's businesses are struggling to leverage their teams to their fullest potential.

This whirlwind of factors means that companies can't make the most of their talented workforce, employees quickly become dissatisfied with their managers, and the revolving door of resources leaves clients unhappy with the work they're provided.

The Solution

The key to sustainably balancing a growing workforce with other business priorities is to take a hard look at where initiatives that make employees happier may have an effect on business performance and client satisfaction - and determine whether that effect will be positive or negative. Using data to back up these assessments is crucial for making informed decisions and sustainable changes.

For example, does a more flexible work schedule or increased remote work improve utilization rates, slow down projects, or cost more in the long run for a business? Does adding a new employee to a team actually result in greater capacity that offsets the additional annual cost for the business? There is not one correct answer across all organizations. How changes meant to directly improve employee satisfaction and retention rates affect clients and finances is different for every organization.

Also, it may take months to fully understand how your decisions play out, as employee satisfaction, utilization rates, turnover, and changes to how work is done take time to stabilize and become the new normal. Making constant changes and providing improvements requested by employees only to quickly walk them back because you aren't seeing the results you expected is a fast way to frustrate employees and push them out of your company. Employee unhappiness will soon be felt by clients, which will in turn soon be felt in your bottom line.

Balancing these three priorities with confidence is what separates leaders from the pack in the professional services world. But what benefits do leaders experience once they are able to walk the tightrope?

What Sets Leaders Apart?

Leaders in the world of professional services are that small percentage of businesses that not only succeed but continue to accelerate over time, increasing their competitive edge more with each passing year. Forrester Consulting's study "Vertical SaaS For Professional Services Is Driving Material Benefits" identified three distinct aspects that set leaders apart and helped them better address and balance the three priorities outlined in this eBook.

01

Leaders Can Tackle Essential Tasks Without Major Challenges

Leaders in the professional services field were found to be able to accomplish key tasks within their current tech stack without facing major challenges to meet specific services-centric needs. These are high value tasks that not every project management solution on the market is especially well-equipped to handle.

Through refined business processes, purpose-built solutions, and a continued emphasis on improving all aspects of the business, leaders are able to continue meeting their goals quickly and accelerate as an organization.

Here are a few major challenges that the majority of respondents in Kantata's survey reported as very challenging, contrasted with the percentage of leader organizations that found those tasks very challenging:

- Difficulty conducting resource planning and project team collaboration across the entire services workforce — both internal and external

  All Respondents: **51%**
  Leaders: **8%**

- Difficulty collaborating directly with clients on engagements with the ability to route relevant approvals to client stakeholders and control what is shared with them and what isn't

  All Respondents: **51%**
  Leaders: **8%**

- Lack of visibility into plan/baseline vs. actual performance of project budgeting and project accounting

  All Respondents: **51%**
  Leaders: **6%**

- Difficulty integrating solutions seamlessly so that relevant information can be shared across the organization in an accurate and timely manner

  All Respondents: 50%
  Leaders: 4%

As the majority of professional services companies struggle to overcome a challenge, leaders quickly move past them in the field, increasing their profit margins, strengthening their teams, and attracting more clients in a positive cycle that drives ongoing success.

02
Leaders Do Not Have Overly-Customized Solutions

Today's leading software solutions have built-in flexibility and intuitive configuration options, with out-of-the-box features that can be tailored to address the specific requirements of an organization. This is important because tools that aren't purpose built to address the needs of professional services organizations can require extensive customization to accommodate core requirements. 77% of business leaders agree that technology vendors that provide generic solutions limit their professional services organizations, and 80% agree that customizing solutions to meet needs is costly and difficult to maintain.

Solutions that don't have built-in flexibility usually have to be configured to address requirements, and while anyone can custom code a solution to be the right fit for the current needs of a business (likely for a hefty price), in the long run, these tend to be custom-tailored straight jackets. Those customizations aren't productized, they aren't supported, they're difficult to maintain and cannot keep up with your evolving needs. Organizations that have a high degree of true customization in their tech stack and a low degree of low-code extensibility find it very hard to scale or pivot.

As businesses grow, shift their processes, diversify their work, and take on a broader array of clients, the limitations of overly-customized solutions become more and more apparent. Leaders are set apart by the purpose-built solutions in their tech stack, which enable them to support workforce and client needs at scale.

03
Leaders Have a Well-Integrated Tech Stack

Leaders in the field know that success is dependent on the software systems they choose. But it's not enough to simply have the latest and greatest technology — a well-integrated tech stack should work as something more than the sum of its parts.

Leaders were more likely to have everything in their tech stack working in lock-step to achieve strong outcomes, from CRM to professional services software to HCM to ERP and beyond. This allows managers to have access to the full breadth of data their teams generate, giving them insights into project performance, client satisfaction, resource utilization, and much more. Not only that, but integration between everything in the tech stack means that the business can understand how changes made to any of the three priorities negatively or positively impacts the others.

Great data comes from context and helps users not only understand a specific subject within their company, but how the entire company both affects and is affected by that subject. And with great data, leaders are able to understand themselves in depth and make informed decisions.

Conclusion

In today's professional services industry, maintaining the balance between loyal clients, strong profits, and a healthy team is critical for continued, predictable success. But while every business wants to succeed in this three-pronged approach, it's easier said than done — increasing client loyalty, employee engagement, and business profitability are not always complementary goals, and businesses often struggle to optimize one without shortchanging the others.

Being able to push priorities forward in a balanced way is what sets leaders apart from the rest of the professional services world. An essential component of leaders' success is their use of purpose-built technology which helps them consistently achieve their goals and adapt to challenges they encounter along the way in a virtuous cycle of success and continued improvements. While it may be difficult to strike the right balance between these three key priorities, businesses that have the clarity, control, and confidence they need to target the right improvements in each area will see long-term benefits - not just in one area, but across all three.

Well-utilized, long-term team members provide high quality work for clients, which helps them stay loyal and, as a result, provides consistent, healthy profit margins. Together, this is what turns a typical professional services business into a leader and accelerates them ahead of the pack.

To better understand the impact the Kantata Cloud for Professional Services™ can have on your organization, schedule a conversation with our team now.

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