

# How to Create a Culture of Project Profitability

## *Empowering your firm's project managers with project-based ERP*

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Think about your professional services firm. You have talented individuals who are highly motivated and excel in their roles. They are detail oriented and analytical. They are meticulous and take “calculated” risks; they identify problems and come up with innovative solutions. They are tech savvy and understand how things work. They place real value on data and know the importance of meeting deadlines and staying on budget.

But how do you create a culture of project profitability? How do you prepare them to grow the business and focus on the bigger picture of increased profitability, improved cash flow and overall resource management?

### **The Talent Management Dilemma**

A common practice within engineering and consulting firms is to promote project managers into management positions. Individuals are often promoted, not because they exhibit business management potential, but because they demonstrate exceptional creativity or technical expertise in their area of practice. Although these skills are important, they are not necessarily the skills that will help project managers drive successful projects and firm profitability.

Day to day priorities change for staff when they take on more responsibilities. They spend a great deal more time coordinating activities with other parts of the organization, negotiating

contracts with clients, proposing budgets for projects and determining staff and resource needs. In addition to continuing to do innovative work, they must now oversee the work of others, set schedules and manage project performance and profitability. This transition to project management requires a completely different skillset and new set of challenges.

### **Balancing Project and Profitability Management**

Project managers are responsible for managing the scope, schedule and budget of a firm's projects, which means project success and profitability are up to them. A big part of this is to ensure all work outlined in a project's statement of work is completed on time and meets client expectations. Anything outside of the contract should be renegotiated to preserve firm profit and new revenue opportunities. They must strive for excellence in project delivery, but avoid over servicing accounts. Over servicing accounts will set client expectations (for future work) and as a result could erode long term firm profitability.

To manage for project profitability, project managers must have access to information they need. They must have clear visibility into the firm's pipeline to plan and manage staff utilization.

They must have access to historical data to understand which clients and types of projects

are most profitable for the firm. This information will help them bid on projects and negotiate terms in a way that will be profitable for the firm.

### Mastering the Economics of Project Management

A culture of project profitability is all about accurate and proactive planning, and making the right decisions at all levels of the business. It's about empowering your project managers and others involved in project delivery with access to accurate, timely information when they need it. Timely information that will help them precisely plan and efficiently navigate projects through completion. It's about having integrated processes and connected workflows that increase the efficiency and collaboration of your project teams.

When your project managers can't access information in a timely way or don't have confidence in the integrity of the data they are getting, your business will suffer. Let's face it, no one likes it when the only answers they can get to quickly are based on outdated, inconsistent or incomplete data. In addition, if processes aren't integrated and streamlined, collaboration will be inefficient - increasing the risk of late projects and budget overruns.

Technology can be a powerful tool to help overcome these challenges and promote a culture of project profitability within an organization. Project-based software provides a framework for project managers to implement consistent processes and best practices across the organization. It provides those involved in project delivery access to the right data when they need it, ensuring better business decisions through improved visibility, insight and control.

### Project-Based ERP: Focus on Business Priorities

Choosing the right tool when embarking on cultural change is critical. Would you run a marathon in high heels or use a hammer to pound screws when building a house? Of course not. Engineering and consulting firms need tools specifically designed for integrated project, resource and financial management.

Project-based businesses have needs that are very different than other organizations. Each project is different and project managers need tools designed to manage and track information at the project level. Project-based ERP systems adapt to the way project-based firms work and are able to accurately track time, resources and expenses and attribute them to the appropriate project.

Project-based ERP systems are specifically designed to help firms handle project variables which can range from prepayments to different billing types to unorthodox work breakdown structures. They handle all the functions project-based businesses require such as tracking work-in-progress, splitting time between project phases, applying multiple billing types to projects, calculating direct and indirect costs, and measuring progress and recognizing revenue according to GAAP and corporate principles. The ability to capture data in this way means that dashboards, tracking, and reporting will be more accurate and provide deeper insight for staff to make sound business decisions.

To successfully grow a culture of project profitability requires a project-based ERP system that gives project managers one place to control all aspects of their projects from planning and capture to invoicing and reporting – from anywhere at any time.



“We’ve educated and empowered our department and project managers. We’ve made them more responsible for project execution and performance... [Deltek] has provided us with a platform for growth.”

» Tony Custer,  
Chief Financial Officer,  
CSD Engineers

One system that lets them view entire projects, down to the lowest-level task of the work breakdown. One system that provides them the information they need to make fast informed decisions and to manage work in a way that generates the profit you expect.

Project-based ERP provides an integrated view of all project related data that will enable your project managers to:

**React quickly to opportunity and win more profitable business:** A project-based ERP system will make it easier for your firm to pull together proposals and rapidly assemble teams to staff projects. Visibility into actual historical project costs, performance, risks and opportunities will help your staff bid on the right projects because they’ll know which clients and types of projects generate money for the firm. This insight will help your managers set pricing and negotiate terms in a way that will keep your firm in the running but won’t negatively impact profit margins.

**Manage firm resources efficiently to increase firm profitability:** A project-based ERP system will help your project managers make the best possible use of resources. It will enable them to accurately track resource utilization and forecast future needs with one system. This will ensure your firm’s resources are being used most effectively on revenue-generating work.

**Gain visibility and insight to make better business decisions:** Accurate, real-time information will help your managers avoid missed deadlines, budget overruns, backlogs and other problems that can negatively impact your firm’s profitability and success. Instead of searching for and manually compiling data, your staff will spend more time analyzing data to improve planning and execution.

Real-time visibility increases accountability and will help your project managers focus on profitability and capturing additional services. Customizable dashboards deliver the right information on demand to the right people.

**Implement standard processes, best practices and compliance across the firm:** Project-based ERP will enable your staff to manage and track projects in a way that meets compliance reporting requirements. Standard templates will help your managers follow standard processes and enforce standard reporting and best practices across the organization. The ability to capture data in a way that is accurate and meaningful for your business will enable your project managers to make better business decisions.

**Provide clients with a consistent, high quality experience:** If you’re like most professional service organizations, you repeatedly serve the same customers across a range of projects. A project-based ERP system will enable your managers to provide consistent, high-quality service across accounts, driving new business and higher customer satisfaction.

**Adapt to changing business requirements and firm goals:** With growth and change comes new business opportunities, requirements and goals. It’s impossible to accurately predict the future, but a project-based ERP system will help your firm quickly adapt to changing business requirements and grow without putting additional burden on your staff. Successful firms prepare for change by implementing systems ahead of the curve so staff is ramped up and business processes and key metrics have been established.

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**Summary**

Creating a culture of project profitability is a top priority for engineering and consulting firms. Project-based ERP systems provide the framework to keep all employees – project managers, resource planners, and financial managers – focused on the same goals and right metrics to drive profitability and cultural change. Optimized for the way professional services firms work, project-based ERP gives project managers one place to control all aspects of their projects from planning and capture to invoicing and reporting. Using a system specifically designed for the way they work gives project managers the ability to focus on the bigger picture of profitability, cash flow and resource management while continuing to do innovative work.

*To contend with more complexity, more demanding clients, and more prospective competition, project firms need to abandon the separate spreadsheets, point solutions, and generic ERP systems that many firms use today. They need to embrace powerful project-based ERP systems that can manage the entire project life cycle and are capable of carrying the whole enterprise safely through the storms and shifting sands of competition to a brave new future.*

***“A Guide to Profitably Winning and Delivering Projects for Project-Based Businesses”***  
*Forrester Research, Inc. 2014*

With more than 30 years' industry experience, Deltek has specific software solutions and services to help project-based businesses succeed. Learn more at [www.deltek.com](http://www.deltek.com).

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