

The Missing Links of Project Management

A study into client project management practices
across the professional services sector

acelo 

Executive summary

Client projects are the heart of the large, dynamic, and growing professional services sector. Encompassing professions like lawyers, accountants, designers, architects, engineers, consultants, and more, the way these organizations manage their teams and the work they do for clients through projects has a significant effect on their success and even survival.

To better understand the way professional service businesses run their client projects, Accelo commissioned a survey to ask the people who manage these client projects how they work.

We found surprisingly that despite the advances in technology and reductions in its cost and complexity, most professionals are still running their client projects the way they were two or three decades ago—using manual, error-prone methods and relying on a mixture of good luck and crisis management when things go wrong. Given the frequency of project failure, the high sale and labor costs in the sector, and the tight margins (made more acute in growing businesses), the costs of this out-of-date approach are significant—threatening the survival of the business and affecting the health and productivity of the wider economy.

The most striking findings from our study include:

- **The vast majority (more than 80%) of projects run for less than 6 months**, 60% of projects run less than 3 months and the most common projects run for an average of 2 months.
- For these most common projects, **only between a quarter and a third of respondents used project planning, tracking, or collaboration software.** In the 2nd most common category of projects (up to one month), 3 in 4 respondents used no project management technology at all.
- **Two-thirds of project managers are “running blind” when it comes to tracking budgets** and they’re even worse off when it comes to managing schedules with more than 3 in 4 professionals either using manual techniques or none at all.
- **Communication was cited by project management professionals as the key determinant of a successful project (80%),** and more than 90% nominated email as one of their top three tools (followed by meetings and calls); project collaboration software came last.

Professional service businesses within the industry rely entirely on employees’ time, and if time is not managed properly, projects can easily go astray.

Introduction & background

The professional services sector is the largest private-sector employer in the United States and many other OECD countries.

Comprised of lawyers, accountants, consultants, engineers, architects, designers, marketers, and public relations professionals to name a few, the professional services sector helps drive productivity, competitive advantage, and overall economy through their specialized skills and services. To both the people who work in this sector and the broader economy, insights into the performance, technology, productivity, and profitability of the professional services sector are extremely valuable.

When professional service firms can sell, manage, and deliver client projects profitably, they become better positioned for growth and job creation in the sector. This ultimately leads to better services for their clients as they continue to boost productivity and efficiency.

The professional services sector is unique in the business-to-business market in that its primary input cost is the labor of its people, or more accurately, their time. **On average, more than 50 cents of every dollar in revenue that a professional service business earns is spent directly on payroll costs** (with many other costs like property and equipment also tied linearly to headcount). As the world's most perishable inventory item, people's time is challenging to manage.

While time is the primary cost source of the professional services sector, revenue is mostly earned through client projects. Whether they are called projects, cases, matters, engagements, jobs, tickets, retainers, or many other industry-specific names, the competence of the organization in managing client projects is the most important determinant of productivity, profitability, and even survival for professional service firms.

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Big enough to be dangerous

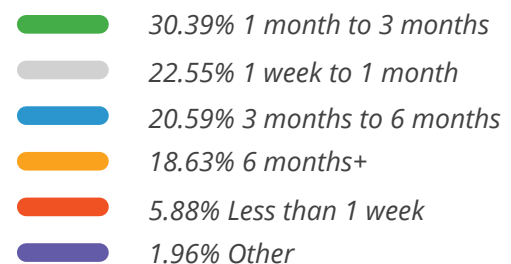
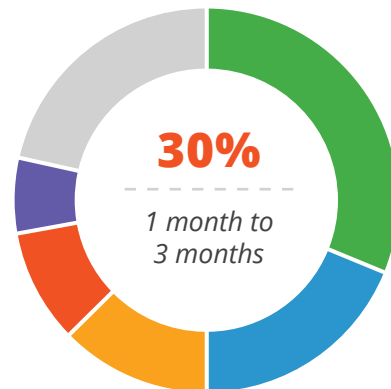
Professional service businesses often implement short-term projects for their clients—think of tax advice, drafting a legal agreement, developing a website, or running an interior design project.

When asked how long the average project is, this study found that 60 percent of service-based projects are completed in less than three months, with 80 percent of projects completed in less than six months. The most common projects run by professional service firms were between one and three months.

While 4 in 5 professional service projects run for less than six months, the vast majority are still long enough to represent a serious risk to the business if they're poorly managed.

As we look at the professional services sector, we know that projects that go over time and budget are more the norm than the exception. A [Harvard Business Review study](#) found that on average 27 percent of service-based projects go over budget. We also know that the average margin of earnings before interest, taxes, depreciation, and amortization ([EBITDA](#)) is around 15 percent. This means that a two-month project can represent roughly 16 percent of the total revenue of the profit for a firm or business unit.

About how long is your project on average?



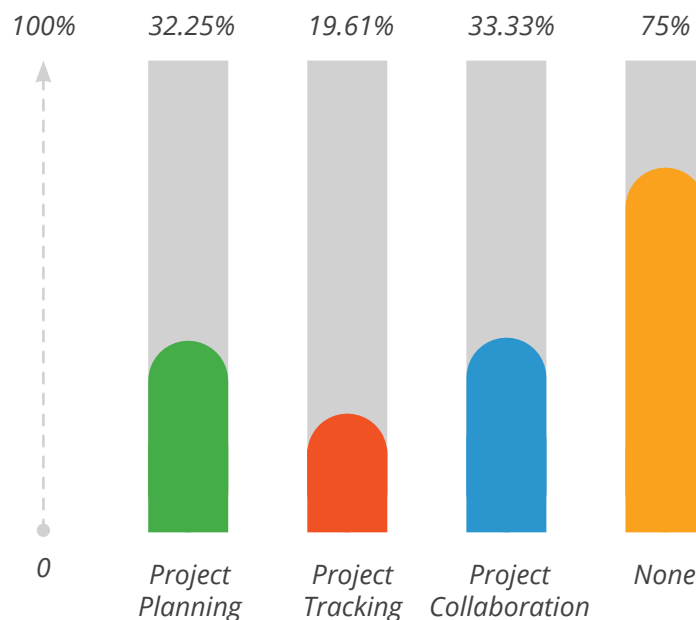
The challenge for professional service businesses is that the most common project is two-months long, making it long enough to do significant damage to the business. While 4 in 5 professional service projects run for less than six months, the vast majority are still long enough to represent a serious risk to the business if they're poorly managed. This challenge highlights the importance for professionals within the industry to manage their projects well.

Mismanagement is most common

Almost 40 percent of respondents said they didn't use project management tools at all—a result that rose to almost 75 percent in some business categories.

The most startling finding from the study is just how poorly businesses manage their projects.

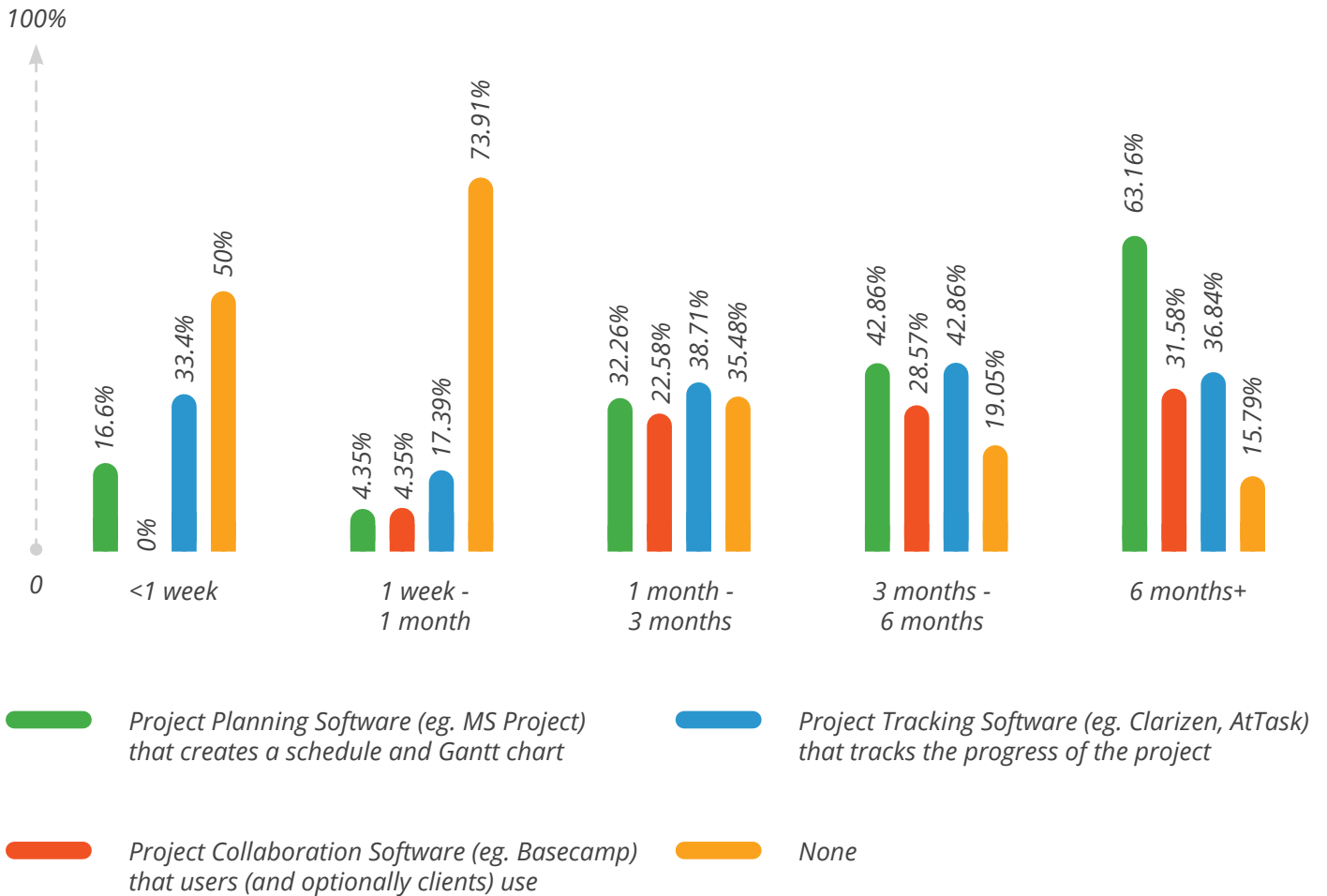
To help understand more closely which technology tools project managers were using, the study asked respondents to nominate which (if any) of the following project management features they used to manage their projects:



- **Project Planning Software** creates a schedule and Gantt charts. Used before a project commences to define scope, budgets and sometimes plan resources, project planning software helps improve project management by identifying risks and recognizing critical paths before the project begins.
- **Project Tracking Software** tracks the progress of a project (on time and budget). Used while a project is running, project tracking software is used by project managers to monitor progress, budget usage, and provide fast feedback on progress.
- **Project Collaboration Software** is used to share files, notes and comments on a project. Used both before a project kicks-off and while a project is underway, project collaboration software helps managers, team members, and clients work more closely and conveniently with the main promise being a reduction in the use of email chains.

LONGER PROJECTS ARE BETTER MANAGED

As one would expect, the companies that reported over six months as the most common project length for their business had the best use of project planning, tracking, and collaboration software. Only 15 percent of project managers who manage projects longer than six months reported not using any of these tools to manage their projects.



Among the group of companies managing sizable projects, the most common technology to be used was project planning (63 percent), followed by project collaboration (37 percent), and finally project tracking (32 percent). The emphasis on planning for longer projects makes sense given the larger scale and length of these engagements.

However, more than two-thirds of project managers with projects over six months do not use any software to track the actual progress of budgets and deadlines. This indicates that they might be spending a lot of time manually trying to reconcile progress through meetings or, even worse, they're not tracking progress at all. While every planning professional knows how important planning is, the road to hell is always paved with good intentions.

MOST PROJECTS ARE HARDLY MANAGED AT ALL

Surprisingly, almost three in four respondents in our second most common project duration category (one week to one month) said they used no project management software at all. The numbers didn't get much better in the most common category of project duration (one to three months), where less than a third of companies use project planning software and only around one in five companies keep track of their projects as they unfold.

3 of 4

use no project management software



(one week to one month)

1 of 5

companies keep track of their projects



(one to three months)

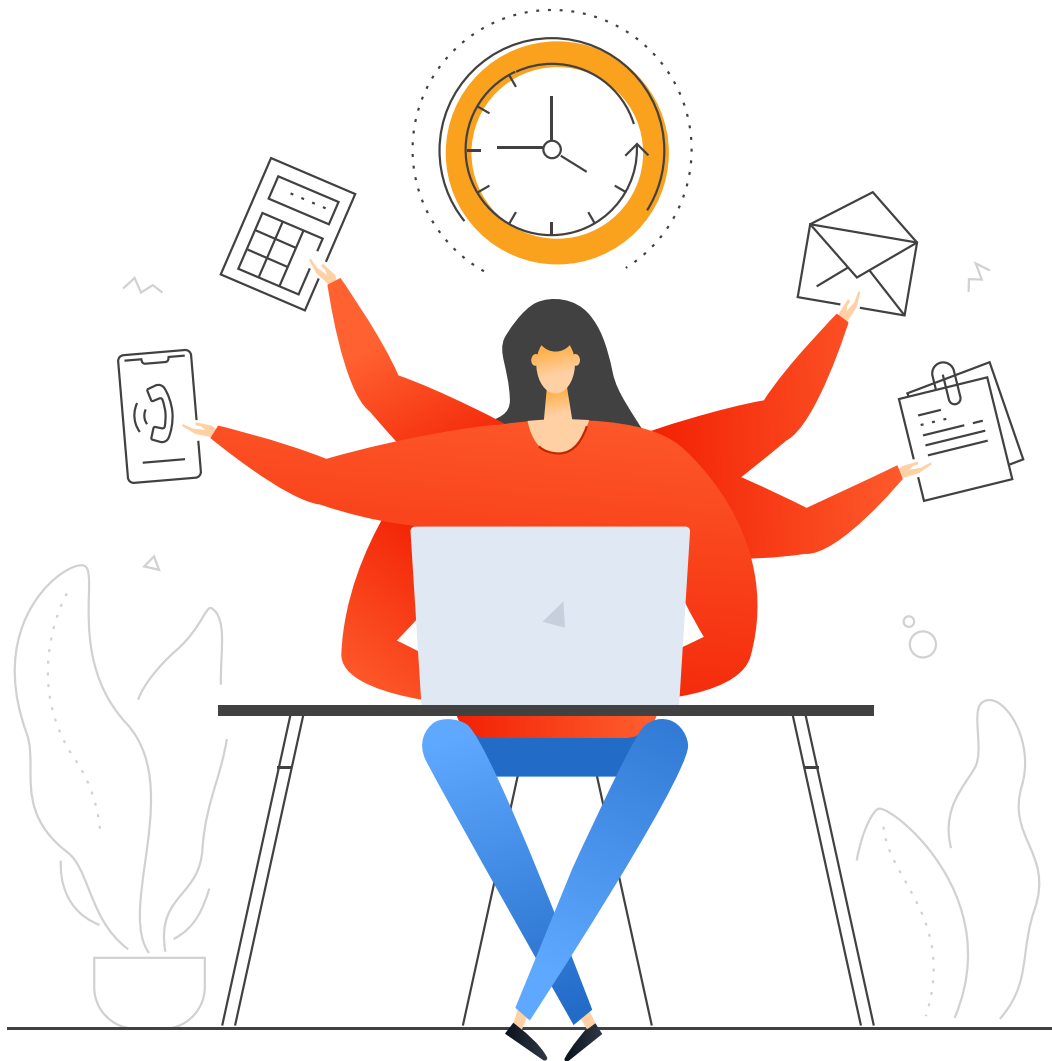
Unlike their longer-project brothers and sisters, the most popular project management tool used by companies running projects less than six months was project collaboration. **Companies running projects in the one to three month and the three to six month categories were more likely (by up to 16 percent) to use project collaboration than companies working on longer projects.** This could suggest that shorter project companies are trying to make up for lower levels of project planning and ongoing tracking by being more agile and collaborative with clients. Though project collaboration is important, it isn't focused on delivering the project on time and budget, especially when you consider the fact that clients are what service-based employees believe to be the most common cause of projects going over budget.

Project tracking and scheduling: The (many) missing links

Another probable reason for project mismanagement is the fact that project managers have very little insight and control over schedules and budgets of projects as they progress.

In this section, we outline some of the common project tracking and scheduling challenges that we found in this study, followed by proposed solutions.

- **Tracking budgets: Two-thirds running blind**
- **Managing schedules: More manual than cat herding**
- **Communication is critical but manual**
- **Clients: Can't live with them, can't live without them**



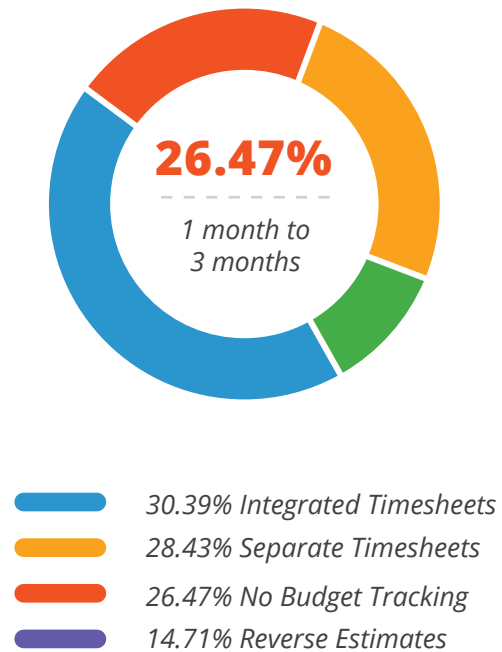
TRACKING BUDGETS TWO-THIRDS ARE FLYING BLIND

When we asked project managers about the way they tracked their main project cost (the time their people spend working on projects) **we found that less than a third of managers have timesheet information connected to or included in the collaboration software they use.**

Incredibly, in 2015, the vast majority of professionals either tracked their time spent working on projects (usage against budget) manually or not at all. For those who use separate timesheets to track project budgets, it means that work being done by professionals needs to be entered into timesheet software, then approved by a supervisor, then exported or extracted by a project manager from the timesheet software and compared to budgets across their portfolio of projects. Amazingly, almost 27 percent do not use any budget tracking tool at all.

Without a tool to keep track of budgets, it's almost impossible to determine if projects are profitable. Aside from the obvious problem this creates on a per-project basis, it can also create serious ongoing business challenges. If managers do not know if their team is consistently spending more time on projects than allotted, adding new clients to a roster to increase profits will cause the company to lose money and threaten its survival.

What are your budget tracking tactics?



The vast majority of professionals either track their time spent working on projects (usage against budget) (45%) manually or not at all (27%).

MANAGING SCHEDULES MORE MANUAL THAN CAT HERDING

While managing the budgets of a project is an inefficient, manual, and error-prone process for project managers, scheduling work for team members (and keeping track of it) is even worse.

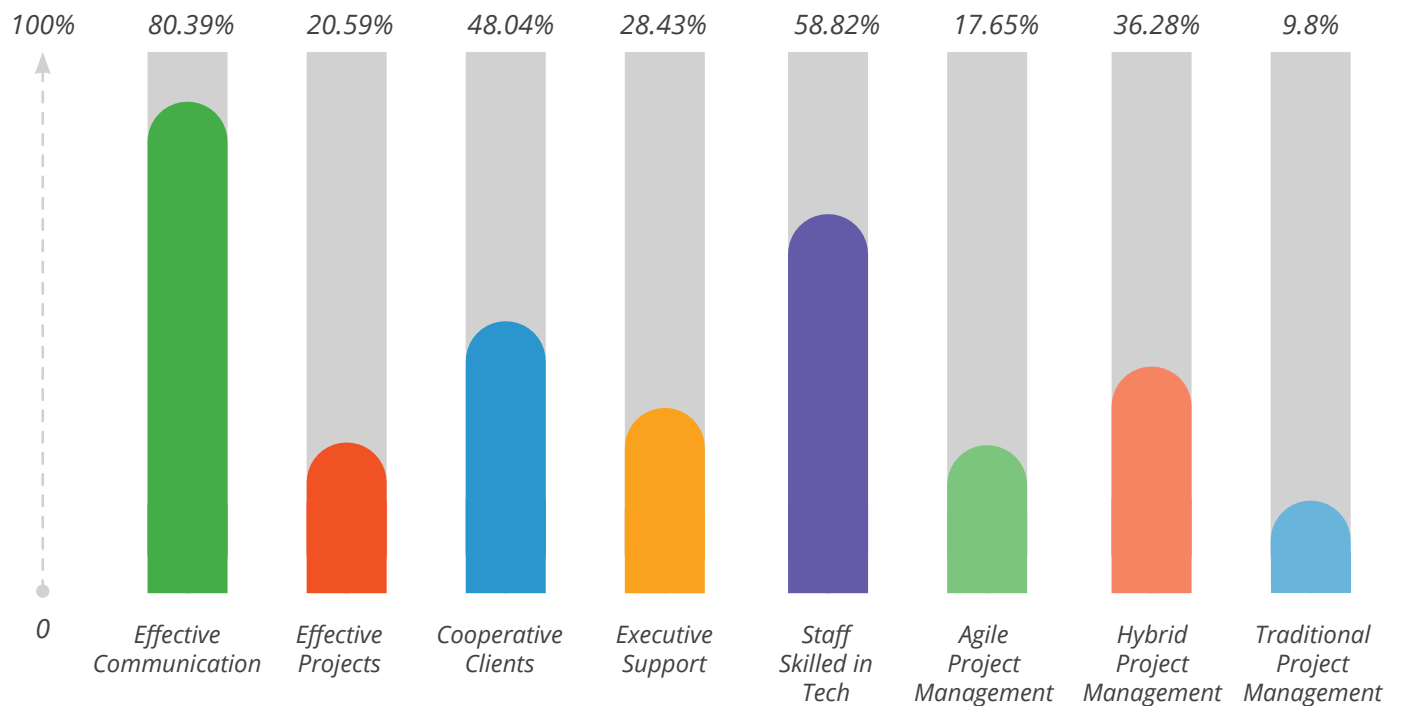
54 percent of respondents said they use manual schedule tracking. Additionally, 23 percent of respondents do not track schedules at all.

The challenge of managing schedules is a massive problem for project managers. Without frequent and expensive meetings (taking time away from doing profitable work) to get status updates, and exceptional levels of discipline to meticulously track time, it becomes extremely difficult for project managers to know the status of projects at any given time. The complexity of the challenge increases by an order of magnitude when they have to juggle multiple projects and manage work assignments for a team. While it is hard enough to manually keep track of where projects are in the present, managing scheduled work for teams into the future (including handling re-assignment and prioritization when projects are delayed) becomes almost impossible. It is clear why project managers work so hard and are still often struggling to keep a handle on things.



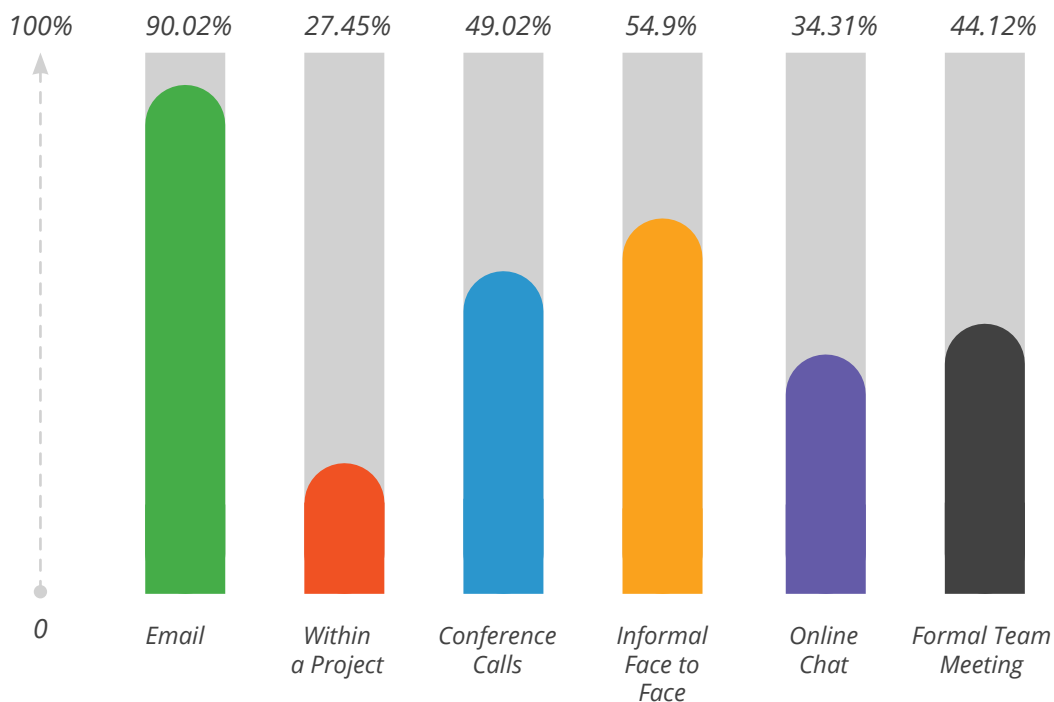
COMMUNICATION IS CRITICAL, BUT MANUAL

When project managers were asked what they saw as the key to running successful client projects, they voted overwhelmingly for “effective communication.” More than 80 percent of respondents nominated it as one of the top three keys to successful project management.



When it came to how they communicated, however, email was the clear leader. While a third of respondents said they used collaboration software as part of their project management routine, more than 90 percent of respondents chose email as one of their top three channels for communication during projects. Informal meetings and conference calls rounded out the top three (at 55 percent and 49 percent respectively), with formal meetings coming in fourth with 44 percent. Surprisingly, only one in four respondents nominated a collaboration environment within their project management system as one of the top three ways they communicate. This result shows that while collaboration software has some appeal, it is a long way behind when it comes to the way teams actually communicate during projects.

The challenge that project managers face with using email is the clear lack of transparency, collaboration, and ultimately effective team communication. For some project managers, the need to escape and abandon the use of email entirely has become an attractive option to solve the challenge, while others are implementing company-wide “online chat” technology, like Slack. However, the reality is that email and collaboration will continue to be critical for project management, especially outside the organization with clients and partners, and any grand scheme to replace email rather than work with it is likely to fail in the real world.



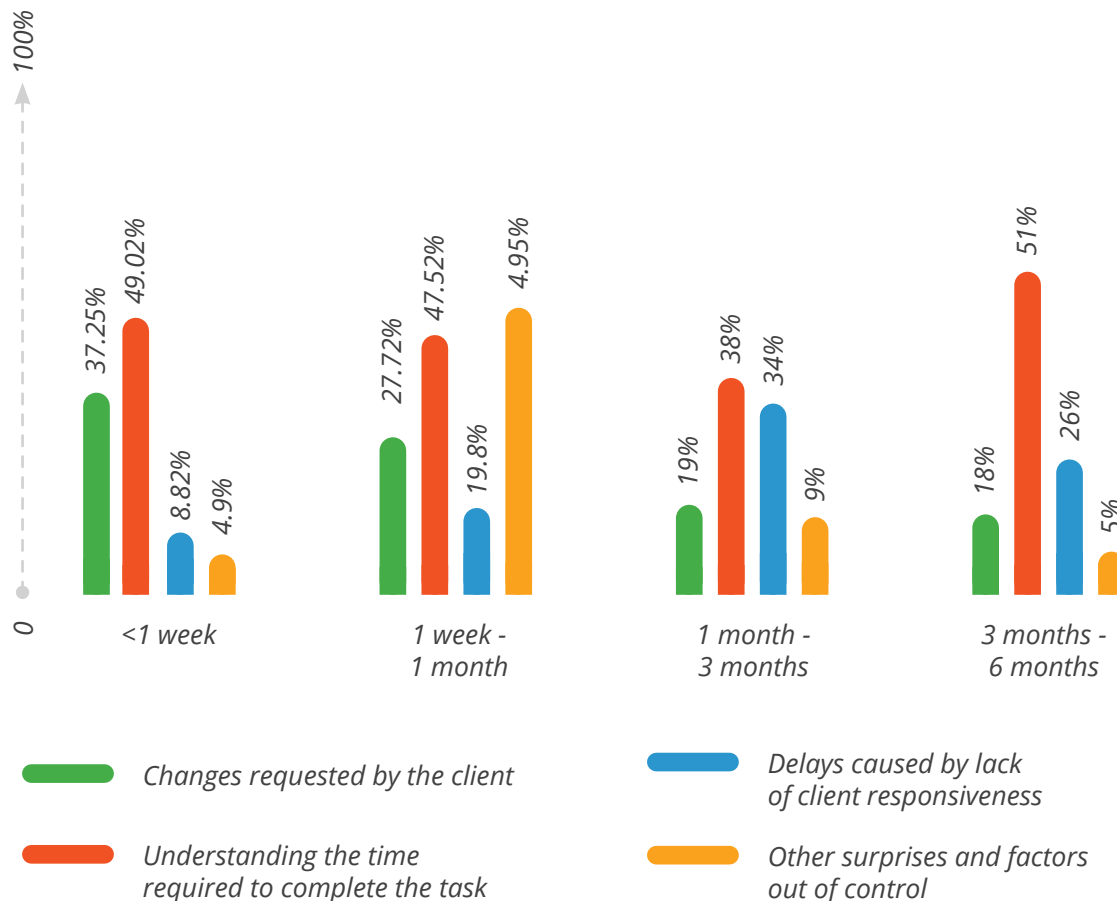
Additionally, if professionals are primarily exchanging information with informal conversations, project tasks, deadlines, and budgets are unlikely to be documented or updated in an organized fashion—a problem that only gets worse as projects go over time and over budget and pressure on personnel builds. As with a lack of budget and tracking management tools, it’s no surprise that so many projects go over time and over budget.

Almost three-quarters of project managers have to try to synthesize, reconcile, and coordinate all this information manually every single day.

CLIENTS. CAN'T LIVE WITH THEM, CAN'T LIVE WITHOUT THEM

Another area of our research focused on the frequency and causes of projects going over time and over budget. We found that client-based change requests were the primary reason for projects going over time or over budget, which was closely followed by client unresponsiveness. One could imagine, a counter study based on the client perspective that would present completely different results. However, the fact that these client-based changes were between three and four times more commonly cited (for client delays and changes requested, respectively) suggests that there is an ongoing (and fairly natural) tension between the service provider and the client. It can be assumed that the disconnect between the project manager and the client lies with the fact that the project manager needs to provide a timeline and a budget for the client, which will need to be adjusted based on the clients wavering expectations.

When we asked the inverse question—which were the top three factors influencing project management success, cooperative clients came in third place at 48 percent behind effective team communication and technologically skilled staff. **No matter how you cut it, working well with clients is key to success in running client projects.**



Ultimately, successful client projects are most significantly determined by managing client expectations, keeping clients responsive, maintaining strong communication and a spirit of cooperation. While these insights won't be a surprise to a seasoned project manager, the reality is that these factors rarely feature into the core of project planning, are often missing in project tracking (where clients aren't given inside access) and are handled as an improvement over email, meetings and phone calls (which still triumph) in project collaboration software. No wonder the life of a project manager continues to be so tough.

Challenges and solutions

1

Challenge

Big enough to do damage

Solution

All projects should be managed with an integrated project management software that has project tracking, planning, and provides the ability for easy collaboration.

2

Challenge

Project tracking and collaboration: Running blind

Solution

A system that provides real-time forecast on budgets to allow for easily adjustable budgets. As well as an intuitive timesheet that reminds you what you've done.

3

Challenge

Communication is critical to tracking projects but exceptionally manual

Solution

Bringing emails and meetings into project management is key to staying informed on all project status' and giving you the chance to lend a helping hand when needed.

4

Challenge

Clients: Can't live with them, can't live without them

Solution

A dynamic Gantt plan that updates schedules automatically when new tasks are created, estimates are updated, or deadlines change.

Conclusion

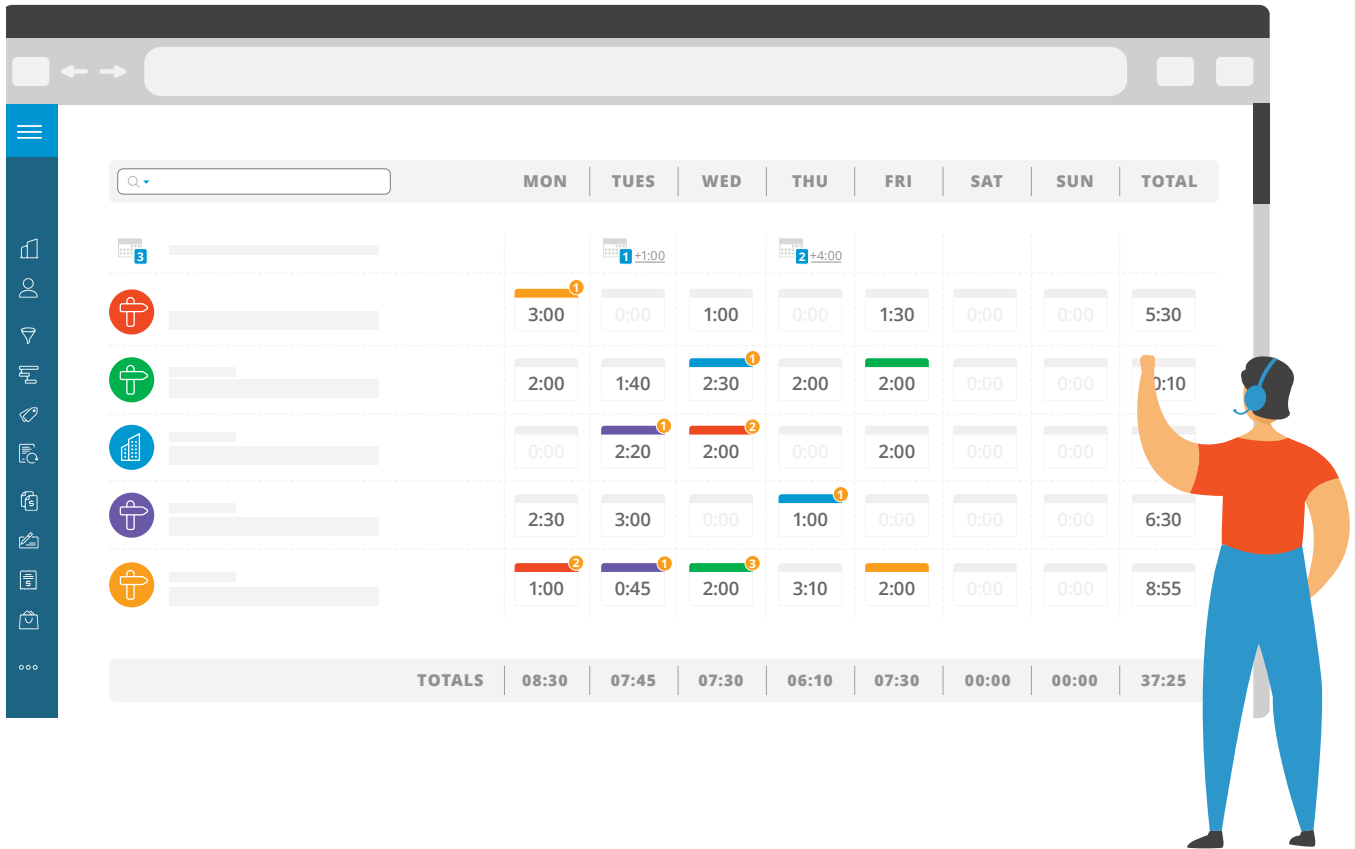
Professional service businesses rely on people's time, and that is not an equation that will quickly change.

Client projects are the heart of the large, dynamic and growing professional services sector, and the data shows clearly that these projects are still being managed using manual, error-prone methods and relying on a mixture of good luck and crisis management when things go wrong.

Given the average age of projects—running for two months, with 60 percent completed within three months—it is easy to see why improvements in project management through process and technology have been slower to sweep through the professional services sector compared to other disciplines like construction, for example. However, the high variable labor costs of the sector and their low profit margins mean that failure in these most common, poorly managed projects are enough to wipe out an entire year's profit and potentially sink the business—bad not just for the business but for wider economic productivity.

The good news is that solutions to these problems are now more accessible, affordable, and easier to use. Cloud-based technology, automation of professional service business processes, and the smartphone revolution are all combining to overcome the key planning, tracking, and collaboration challenges faced by professionals. By bringing together planning, tracking, and collaboration with the communication we continue to rely on (email, meetings, phone calls) and underpinned by the automation cloud-based technology provides, professional service firms can increase their productivity, decrease their project risk, and improve profitability.

Finally, the businesses that make this transition will experience strong operational differentiation from the less efficient, profitable and competitive majority, offering significant benefits in the market in addition to better margins and profitability. Some project collaboration tools have attempted to solve this industry disparity, but these solutions often leave project managers with more work than they started with. Managers are required to constantly complete forms to assign and manage tasks, the manual nature of which is no more effective than older options.



As the fastest-growing sector in the United States and beyond, professional service businesses need proper management systems to mitigate continual growth. Professional service businesses rely on people's time, and that is a not an equation that will quickly change. Projects take time. However, comprehensive project management tools that manage time effectively can work to balance this equation. **Businesses need technologies that automate task management, scheduling, and time tracking to ensure that projects are profitable and completed on time.** Without a full-service tool that allows for planning and flexible tracking along the way, the professional services sector will never perform at its fullest potential.

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15% is margin of earnings before interest: CSI Market (2014-2015) ["Professional Services Industry - Profitability Information and Trends"](#)



About Accelo

Built For Your Service Business

Since its founding in 2011, Accelo has prioritized giving professional service businesses unprecedented levels of visibility into the overall health and management of their company. Serving small to medium-sized businesses in 42 countries, Accelo helps owners, managers, and service professionals succeed by providing a better way to manage client work, deliver higher quality work, and provide insight into the company's profitability.

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