



**MAXIMIZING FINANCIAL  
PERFORMANCE:  
6 KEY ISSUES FOR PROFESSIONAL  
SERVICES ORGANIZATIONS**



## Operating from Within an Incomplete Financial Landscape

Professional services organizations—with teams of training, support, and consulting experts—are an integral piece of the business model for many companies. That's why services executives seek to maximize the utilization and performance of every project they undertake. However, most professional services organizations focus intensely on operational and tactical concerns specific only to their department—and the technologies and processes they use to manage their projects reflect this narrow perspective.

Unfortunately, that can make it difficult—or even impossible—for your organization's finance professionals to ensure that project delivery success translates into financial success. Typically, the automated systems your professional services team uses to manage its operations don't integrate seamlessly with your financial applications, which means your finance team can't properly access and manage the financial performance—and financial impact—of your services operations.

## Hanging on to Manual Processes Means Cash Flow Turbulence, Revenue Leakage

In most professional services projects, it's not unusual for time and expenses to accrue throughout the service delivery lifecycle—long before customer billing takes place (toward the end of project cycles). Even under ideal circumstances—with efficient billing and prompt payment—this inevitably creates uneven cash flows. And using manual or paper-based methods to track billable and non-billable time aggravates the problem even further, leading to:

- **Disrupted cash flows.** The longer it takes to get billable time and expenses into your financial management system, the longer it takes for them to appear on invoices—and for you to receive payment. Some companies find this can reduce cash position by as much as five percent.
- **Increased revenue leakage.** Manual tracking systems are notorious for failing to accurately capture all billable time and expenses, resulting in a loss of up to 10 percent of total revenue.
- **Extended billing cycles.** Sluggish billing cycles negatively impact cash flow and increase days sales outstanding. Poor project milestone tracking also slows revenue recognition, further eroding your cash position.
- **Squeezed profit margins and cost overruns.** Project costs that fall through the cracks as a result of manual processes and errors pose a real threat to your bottom line and result in chronically poor budgeting and forecasting.
- **Diminished productivity and decreased profitability.** Manually tracking time and expenses increases the overhead associated with each project, builds up non-billable work hours, raises the likelihood of data-entry errors, and forces finance organizations to add staff.

## Clarifying the Need for Real-Time Visibility

When operational information is incomplete, out-of-date, and not readily accessible you don't have real-time business visibility into the performance of your business. This makes it extremely difficult to proactively manage project costs, revenues, and performance, inevitably leading to:

- **Chronically poor project performance and profitability.** Without real-time visibility, it's difficult to track and analyze project costs and performance mid-cycle, making it difficult to accurately predict profit margins. Measuring budget accuracy and comparing actual to plan for future bids are often done after the fact, resulting in project overruns and squeezed margins.
- **Ineffective cash flow management.** Uneven cash flows are a hallmark of professional services, where expenses often incur well before the client is invoiced and payment is received. You need clear visibility into projected expenses and revenues to maintain a strong cash position.
- **Disconnected financial and professional services teams.** Improving the utilization of your professional services teams and increasing finance productivity are key components in controlling costs and improving profitability. Offline reporting and disconnected systems, however, often mean that teams waste time and money updating each other, and information is often not fully transferred.

Unless project data can be fully integrated with the company-wide financial management system, the finance department won't have the real-time visibility they need to ensure that the professional services organization and the company meet financial goals.

THE ECONOMIC IMPACT OF DISCONNECTED PROFESSIONAL SERVICES AND FINANCE TEAMS
<p><b>Revenue leakage</b></p> <ul style="list-style-type: none"> <li>• Failure to capture all billable time and expenses</li> <li>• Extended billing cycles that negatively affect cash flow</li> <li>• Billing errors resulting from manual data entry and tracking</li> <li>• Inaccurate revenue forecasts and budgets</li> </ul> <p><i><b>The result? Losses that could add up to 10 percent of total revenue</b></i></p> <ul style="list-style-type: none"> <li>• Reduced project profitability</li> <li>• Manual processes that increase labor costs</li> <li>• Overlooked project costs that never get billed</li> <li>• Inaccurate future project forecasts</li> </ul> <p><i><b>The result? Non-billable time (at a cost of approximately \$200/hr.), plus thousands of dollars per year in non-recoverable cost overruns</b></i></p>
<p><b>Lower staff productivity</b></p> <ul style="list-style-type: none"> <li>• Manually tracking time and expenses</li> <li>• Data-entry redundancy in both the project management system and financial system</li> <li>• Manual billing and revenue recognition</li> <li>• Rework done to correct errors</li> <li>• Manually tracking cash inflows/outflows</li> </ul> <p><i><b>The result? Added staff at a cost of \$120,000/yr per person</b></i></p>
<p><b>Inefficient financial and operational reporting</b></p> <ul style="list-style-type: none"> <li>• A lack of real-time visibility into project status and profitability</li> <li>• Manipulating, analyzing, and reporting client and project costs in spreadsheets</li> <li>• An inability to provide stakeholders with timely information on project financials</li> </ul> <p><i><b>The result? Thinner gross margins and increased demand for additional staff</b></i></p>

## Gaining Financial Insight into Professional Services – The 6 Keys

To maximize the financial performance of professional services organizations, companies must fully integrate time and billing and project and resource management solutions with financial management systems, eliminating manual processes, disconnected teams, fragile spreadsheets, and standalone systems. Intacct cloud financial management and project accounting applications connect project and financial information throughout the service delivery lifecycle, enabling services organizations to:

1. **Gain real-time visibility.** Intacct provides powerful, multi-dimensional business intelligence, role-based dashboards, and rich reporting and analytics, for real-time visibility into every aspect of your business, including client profitability, the true cost of projects, and other aspects unique to your business. You can see current and projected cash inflows, outflows, and revenue streams in real time, enabling you to improve cash flow management and revenue forecasting.
2. **Accelerate billing and collections cycles.** The faster you generate invoices, the faster you get paid. But many clients may require complex billing terms that can slow you down and introduce errors. Intacct shortens the invoicing cycle with powerful billing rules that help you keep track of even the most complex terms. You can also automatically generate invoices from timesheets and other billable project expenses, eliminating manual data re-entry, increasing billing accuracy, and ensuring faster payment.
3. **Maximize revenue and reduce leakage.** Intacct automatically captures client-billable and non-billable time and expenses, increasing the accuracy of your invoices and reducing revenue leakage. Employees enter time and expense data directly into Intacct—without the usual delays for manual collection and processing. That data is immediately available to professional services and finance, and fed into automated processes for project management, billing, analysis, and revenue management. You gain real-time visibility into the true cost of each project, ensuring more accurate future forecasts, and finance can bill faster and improve cash flow.
4. **Manage project performance and profitability in real time.** Intacct gives you all the tools your professional services team needs to effectively organize people, projects, tasks, and budgets. Role-based Intacct dashboards, robust reporting, and deep analytics help stakeholders measure the profitability of each client, project, and team using financial and operational key performance indicators (KPIs). Armed with this information, you can keep costs in check while delivering services on time. Real-time and historical data makes it possible to plan and forecast more accurately, enabling you to generate tighter quotes and deliver on-time and on-budget.
5. **Connect professional services and finance for efficient, profitable business management.** Intacct combines project information with robust financial management capabilities, providing a “single source of truth” throughout the service delivery lifecycle. As a deep and mature financial management and accounting solution, Intacct also automates and streamlines error-prone, time-consuming processes, so you gain operational efficiencies, reduce costs, and increase margins.
6. **Deliver real-time accessibility to your mobile workforce.** The Intacct cloud-computing platform delivers anytime / anywhere accessibility to your entire workforce, including subcontractors. Distributed staff and stakeholders can securely access Intacct from any browser—on a computer, tablet, or smartphone—to manage project information, enter time and expenses, and review business results. This ensures that everyone has access to the most current data—without having to maintain your own IT infrastructure.

THE ADVANTAGES OF CONNECTING PROFESSIONAL SERVICES AND FINANCIAL MANAGEMENT SYSTEMS
<p><b>Customer satisfaction.</b> Real-time visibility into project performance and costs means more projects are completed on time and on budget, and billing is more accurate and more timely.</p> <p><i><b>Net benefit: Improved customer satisfaction and cash flow—plus referral business.</b></i></p>
<p><b>Productivity.</b> By providing a fully integrated professional services and financial management system, Intacct streamlines and automates labor-intensive processes and eliminates duplicate data entry. It also gives employees easy access to a suite of self-service tools.</p> <p><i><b>Net benefit: Finance and project management staffs focus on their core competencies, improve productivity, and eliminate or forestall the need to hire additional staff.</b></i></p>
<p><b>Project performance and profitability.</b> Real-time reporting, business intelligence, and access to project information enable more proactive decision-making and improve forecasting and budget accuracy.</p> <p><i><b>Net benefit: Saving thousands of dollars as a result of fewer cost overruns, and dramatically improving gross margins.</b></i></p>
<p><b>Cash management.</b> Real-time visibility into cash inflows and outflows, billable work, and project costs, plus automated invoicing improves revenue forecasting, accelerates invoicing, and enhances cost capture and controls.</p> <p><i><b>Net benefit: Improving your cash position by up to five percent.</b></i></p>
<p><b>Revenue stream and billing cycle.</b> Employees capture all billable time and expenses as they occur, improving accuracy, increasing billable hours, reducing non-billable hours wasted on manual data re-entry, and shrinking DSO.</p> <p><i><b>Net benefit: Reduced revenue leakage and up to 10 percent added to your bottom line.</b></i></p>

### The Bottom Line

Organizations that depend on professional services to help customers derive the greatest value from their solutions. However, too often, they fail to integrate unique project-tracking and reporting needs into the company’s financial management strategy. Intacct enables hundreds of software firms to connect service delivery needs with finance objectives, for smoother cash flows, higher productivity and project performance, less revenue leakage, and a better bottom line.

## **About Intacct**

Intacct is the cloud financial management company. Bringing cloud computing to finance and accounting, award-winning Intacct applications are the preferred financial applications for AICPA business solutions. Intacct applications are used by thousands of organizations from startups to public companies, and are designed to improve company performance and make finance more productive. Hundreds of leading CPA firms and value added resellers offer Intacct to their clients. The Intacct system includes accounting, contract management, revenue management, project and fund accounting, inventory, purchasing, vendor management, financial consolidation, and financial reporting applications, all delivered over the Internet with cloud computing.



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