

Introduction

Building a successful, profitable project-based company is tough.

You have a lot of plates to spin and it's all too easy to get so caught up in winning and delivering projects that you lose sight of the bigger picture.

Unfortunately, we regularly meet companies that are doing great work for their clients but aren't really enjoying the financial success that their hard work deserves.

At CMAP, our mission is to help you to build a successful, profitable business by making it easy for you to do the right things consistently.

One of the ways we do this is by helping you to understand and implement the 5-Step Plan for increasing the profitability of your projects.

The 5-Step Plan consists of implementing 5 Fundamental Principles into your project process.

The 5 Fundamental Principles are:

- Stop Under Quoting
- Be Clear About What's Included
- How Long Have I Got?
- Track Time Against Budget
- Review, Learn, Apply

These steps aren't complicated, but if you implement them continuously I guarantee your project profitability will improve dramatically.

The trick, of course, is to actually implement them (rather than meaning to but never actually doing it!)

In this guide, I'll explain each step and tell you exactly what you need to do to put them into practice.



Principle #1

STOP UNDER QUOTING

It's amazing how often people destroy any chance they have of delivering a project profitably before they've even started.

How? By under quoting.

Whether they don't fully think through the deliverables, or just go with the same price they always do, it's incredible how many people shoot themselves in the foot before the project has even begun.

If you want to build a profitable business, you can't just pull numbers out of thin air. You need to take a few minutes (it really shouldn't take long) and think things through when you're quoting.

Ask yourself:

1. What do we need to do?
2. What kind of people do we need to do it (e.g. writer, designer)?
3. How long will they need to do it?

It's not complicated, but it is important that you consider the details as it's easy to miss things that will blow your budget.

Here's an example:

If your project includes designing or writing something, don't forget to include time to incorporate your clients inevitable comments - possibly several times!

It really doesn't take long to do this right, and if you regularly do the same kinds of projects you can make it even quicker by using templates.

Of course, those templates need to be accurate, but we'll come back to that in Principle # 5.

Principle #2

BE CLEAR ABOUT WHAT'S INCLUDED

OK, so hopefully you've created a quote that looks accurate. The next step is to be VERY clear with the client what they're getting.

This is no time to be vague!

Let's say your project includes a design element. You must be clear with the client how many times they can come back with changes.

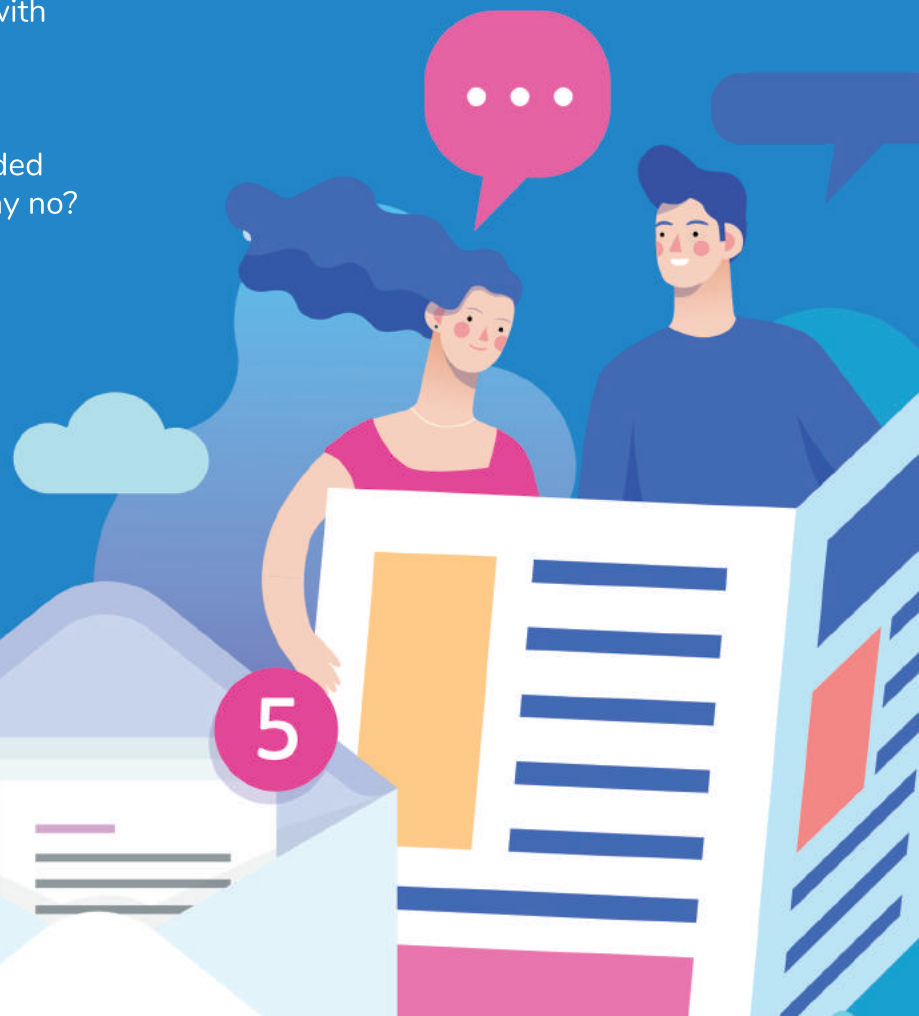
Budgets are often blown out of the water because you assumed 1 or 2 rounds of changes but the client comes back with comments 5 times!

If you haven't been clear about how many rounds of changes were included in your quote, can you reasonably say no?

Be clear about what is included in your quote (especially if the client has pushed for a discount).

This then gives you an effective, confrontation-free way of pushing back when they ask for more.

Of course, if they still want to go ahead with the extra work, that's fine. But now you can charge them for it rather than doing the work for free.



Principle #3

HOW LONG HAVE I GOT?

Great news - you've won the project!

At this point, most people just dive in and start working. Unfortunately, they typically do it without ever considering the budget they agreed.

Sure enough, If you look at the time actually spent on the project you'll often discover you've spent way longer than you should have and, once again, you've made little to no profit.

If you want to build a profitable business, you MUST ensure that you and your team are mindful of the budget and focus on doing the best job you can WITHIN that budget.

Yes, you want to do the best job you can for your client, but that can't be at the expense of your business.

If your client is paying for 2 days design time, your mission is to do the best job you can in 2 days - not a week!

The first step to ensuring you deliver your projects within budget is to teach your people to be mindful of the budget.

They should always be asking the question, "How long have I got?"

Helping your people to develop this mindfulness of the budget is a really powerful first step.

The second step is covered in Principle #4



Principle #4

TRACK TIME AGAINST BUDGET

Timesheets are an often misunderstood creature. Many people think that timesheets are for “Big Brother” to monitor their every move.

But that’s not why they’re valuable.

The real value timesheets give you is the ability to track how long you’re really spending delivering projects.

This enables you to 1) compare reality against your budget and 2) stop going over budget and working for free!

So, how do you do it? Here’s how:

1. Get your people to fill out timesheets. Whether that’s with software like CMAP, a spreadsheet or a bit of paper - get them to do it
2. Combine the timesheet data with your original budget, ideally to the stage level so you can see how the project is performing at each stage (often, you’ll discover that you always go over budget at the same stage)

3. Compare your progress on the project (e.g. 50% complete) against the percentage of the budget you’ve already used (e.g. 75%) to see if you’re heading over budget. This will enable you to take remedial action before it’s too late.

Comparing progress vs. time spent to date will enable you to predict your recovery rate, which is perhaps the most important metric when trying to improve project profitability.

What is Recovery Rate?

Let’s say you’ve quoted \$10,000 for a project. If you deliver it in \$10,000 worth of time then your recovery rate is 100%. In other words, you’ll be paid for all of your time. Good.

However, if you end up spending \$20,000 of time but can only bill the client the \$10,000 you agreed, your recovery is just 50% as you’ll only be paid for half of the time you spent working on the project. Not good.



Principle #5

REVIEW, LEARN, APPLY

Phew! You've finished the project and, hopefully, your client is happy.

But whilst the project might have been successful for your client, was it successful for you?

Sure, a big part of measuring success should be if your client is happy, but you also need to consider if the project was profitable for you.

The definition of a successful project is achieving the desired result for your client AND making a profit for you.

If you did make a profit, that's great. But if you didn't, you need to learn from it so it doesn't happen again. All too often, people bounce from one project to the next, never reviewing whether the project they've just finished made a profit or a whacking great loss.

The problem is, if you don't learn from the bad ones, you're destined to repeat the same mistakes time after time after time...

It's vitally important that you review the project once it's finished. This really doesn't need to take very long.

Simply ask, how much time did you quote for and how much time did you actually spend?

If you delivered within the time you quoted, perfect. You can move on.

However, if you blew your budget you need to figure out why.

- Did you under quote?
- Did the client move the goal posts?
- Did your people make mistakes or get caught up in a creative haze and spend too much time on the job?

Whatever the reason, you need to understand it so you can take action to ensure it doesn't happen next time.

A particularly dangerous situation is when someone doesn't bother to review project performance because they think they know better.

I'm afraid I've heard this many times - the person sits back and dismissively tells me that they don't need to do the things I'm suggesting because they "know" how much a certain type of project costs.

Of course, 9 times out of 10 they've never actually analysed this and I can pretty much guarantee they're regularly under quoting.

Maybe they do know, but why leave it to chance? It's a simple thing to compare what you quoted with how long you actually spent.

It will either prove you're right or you'll learn a valuable lesson you can apply going forward, so what have you got to lose?

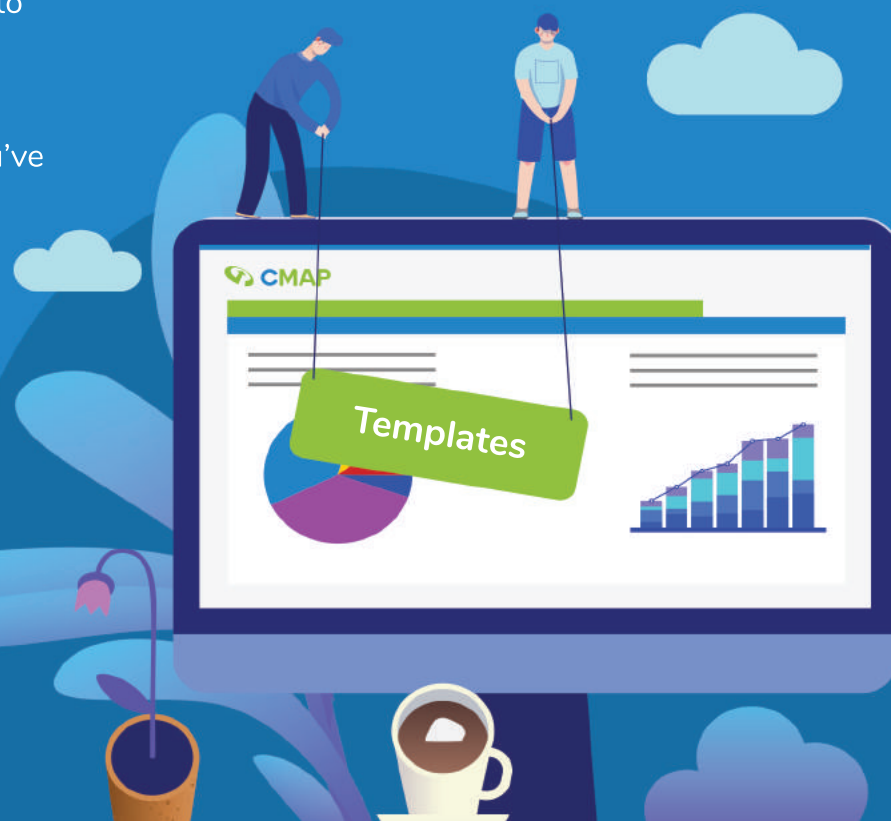
Once you've figured out what went wrong, make sure you apply what you've learned. A great way to do this is with job costing templates.

Create a template for each type of project you do. Then, when you complete a project, review it and, if necessary, update the relevant template so you don't make the same mistake next time you do a similar job.

As you apply this approach over time, your quotes will get more and more accurate and your profits will increase.

What's more, templates help you to quote consistently across your entire organization.

Templates are a simple tool, but they're incredibly effective so I encourage you to create some (if you haven't already) and review and update them regularly.



TAKE ACTION NOW!

So, there you have it. As I said at the outset, the 5 Fundamental Principles are not complicated.

The key to success, though, is to actually follow them.

The good news is, they're easy to implement and, whilst software like CMAP will make it easier, you don't have to have a cool bit of software in order to put them into practice.

It's perfectly reasonable to at least get started with a bunch of spreadsheets or even a bit of paper!

Whilst I'd love for you to join the CMAP family, I don't want you to think that you can't apply these principles without it - you absolutely can. CMAP just makes it easier.

As you've probably guessed by now, I'm passionate about helping project-based companies to enjoy the success their hard work deserves.

I urge you to take action now and implement these principles as a core part of your business processes.

I promise you, the effort will definitely be worth it.

Wishing you the very best of luck,

D. Graham

Dave Graham
Founder & CEO, CMAP Software

