

10 Areas Environmental Consulting Firms Lose Profit

How to Streamline Operational Practices to Recapture Lost Profits on Your Projects

While the environmental consulting market has weathered almost constant change over the last 5 years – including absorption of many firms by large Architecture, Engineering and Construction firms, an evolving focus on services provided, and ever-changing client requirements, one thing remains constant – margins are thin. The potential for margins to thin further depends upon your firm's ability to harness project efficiencies and repeatable processes, and turn them into competitive advantage.



Firms lose money every day because processes are not well established, people are not held accountable, and/or management systems do not support their efforts. However, according to June R. Jewell, CPA and AEC business expert, there are a number of ways to "find the lost dollars™" in your projects¹. In this guide you'll find the top areas we've seen environmental firms lose profit, and how your firm can improve business and project operations to recapture that profit.

1 - Jewell, J. (2013). *Find the Lost Dollars: 6 Steps to Increase Profits in Architecture, Engineering and Environmental Firms* [Book]: <https://aecbusiness.com/ebook/>

1. Lost Opportunities

Today, many firms take an uncoordinated approach to finding and pursuing new projects. They must chase opportunities triggered by the last downturn or the latest government requirements, but lose more often. Why? Because they are going after opportunities they shouldn't be. And while many things contribute to this problem, one of the top reasons firms pursue work that is not best suited for them is because they lack the visibility into which markets and projects lead to higher win rates and larger profit margins.

2. Cumbersome Proposal Processes

Putting together winning proposals is no simple task. It requires input from many different resources and data sources, and becomes even more of a challenge if the information you need is unorganized, in multiple data silos or just doesn't exist yet. Creating successful proposals takes valuable time away from marketing, project management, principals and other key team members, who should instead be focused on the items core to their departmental goals. Investing deeply in a disorganized process can therefore cause environmental consulting firms to lose significant profits on a project before it even begins. Many firms lose profits in this area because they don't take into account the time and cost needed to put together a winning proposal and ensure they are achieving desired profit margins.

3. Flawed Estimating Processes

One of the biggest challenges firms face is underestimating the hours needed to complete a project. This becomes even more complicated

CHECKLIST: Creative Ways to Improve Profitability Today

- Understand the high cost of employee turnover (at an average of \$150K to replace an employee.) Ensure you have the right talent and keep them engaged.
- Focus your best talent and efforts on your most profitable services, products and clients.
- Develop a roadmap to upgrade your top 20 percent of clients to special premium offerings.
- Find ways to bundle services or products so that you can raise the average ticket price for some sales.
- Do a thorough analysis of the profitability of each project from the last year. Spend more time analyzing performance metrics. Cut back on activities that do not generate high ROI. Double-down on those that do.
- Use a professional services automation system to get more visibility into status of projects, resources and financials.
- Treat every employee as an agent of profitability. Empower and incentivize them to find new ways to increase profitability.



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when they employ a significant number of subconsultants. Of course the ability to estimate varies depending on the contract type (i.e. time & materials vs. lump sum), but firms may be contributing to thinner margins by skipping historical project analysis or project costing when trying to most accurately and profitably estimate the next project.

4. Scope Creep

Inaccurate estimates, loose time entry procedures and delayed access to critical project information can all contribute to scope creep. When project managers cannot gain real-time visibility to project status against the budget, they cannot proactively manage issues as they arise. This results in project overruns which erode the client relationship, and ultimately affect profitability, in an already tight environment where every dollar is critical.

Environmental Services Firm, Providence, Relies on Deltek to Manage Disaster Recovery Efforts

Providence is an engineering and environmental services firm that uses automation to ramp up quickly and support disaster recovery work, the timing of which is unpredictable. Using Deltek, they are able to scale their organization quickly and efficiently to support the management of large clean-up projects including past efforts related to hurricanes Katrina and Sandy.

“With Deltek Vantagepoint, we are able to scale the number of employees on projects from 150 people to over 300 in a matter of days. We can get up and running very quickly.”

Kevin Calhoun, Operations Officer, Providence



Watch the video to hear their inspiring story.

5. Underutilized Staff

According to the [SPI Research 2020 Professional Services Maturity Benchmark Report](#), average resource utilization has only increased year over year from 69.7% to 71.7% across professional services projects, with the “Best of the Best” firms averaging about 85%. Optimizing resources across the organization is a surefire way to regain lost profits.

6. Project Management Immaturity

According to the SPI Benchmark, only the top 20% of consultancies have a firm handle on project execution – from resource management, to delivering projects in a predictable and acceptable time frame, to reducing cost while improving project quality and harvesting knowledge. As delivering successful projects is at the core of what environmental firms do, poor project management affects not only project and firm profitability, but also client satisfaction.

7. Long Invoice Cycles and Poor Cash Flow

Internal, administrative delays with billing and invoicing are often the biggest profitability problem for firms. Many times there is a lack of alignment between the work performed and the actual invoice, leading to confusion, frustration and multiple revisions. In addition, on average, firms take 2-3 weeks to prepare invoices to send to clients. Combined with an average collection period of 71 days, it’s no wonder that firms report poor cash flow. With that much lag time, firms are essentially giving free loans.

8. Inefficient and Non-integrated Processes

Many firms get caught up in the day-to-day project

tasks and don't take the time to critically look at project and firm processes to identify where they can drive efficiency. However, the annual cost of inefficiency can be quite eye opening when firms take a closer look. In fact, according to IDC, the average employee spends about 2.5 hours per day, or roughly 30% of the workday, searching for information needed to do their job. That's more than 1 day per week! Multiply weekly, monthly and yearly in administrative or unnecessary tasks, and firms can see a significant drain on profitability.

9. Lackluster Time-Entry Culture

Today, most firms have adopted an electronic or mobile system for entering time. But, having the best system in the world won't help if you don't provide clear direction about what is expected. [Professional Services Management Journal](#) (PSMJ) found that by implementing daily time entry vs. weekly time entry, firms can increase recordings of billable time by 3%. For each person in your firm, that equates to 1.2 hours per week or 1.5 weeks of billable time. For a 30 person firm, that's 46 weeks! Employees need to understand that frequent time entry improves project accuracy and increases utilization.

10. Lengthy Hiring & On-Boarding Process

Competition for top talent is fierce, attrition too high, and it takes way too long to bring in a new employee and get them billable on a project. SPI Research found that the average firm spends 121 days to interview, hire and onboard a new employee. Worse, the average cost to replace a high-performing employee is \$150,000, says SPI. That's 4 months until the employee is billable, plus the replacement cost, so lost project profits are inevitable every time a new employee is hired.

Conclusion

Is your firm losing profit in any of these 10 areas? Deltek can help.

Implementing a project-based management software built for the environmental consulting industry can help you overcome these common challenges and streamline your business by integrating all of your financial, accounting, resource management, project management and business development needs into one system. With a 360° degree view of your business, you'll easily spot the areas of opportunity and turn them into profit.



Are You Ready to Take the Next Step?

Deltek has provided technology solutions to hundreds of consulting firms—of all sizes—looking to revolutionize the way they do business.

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