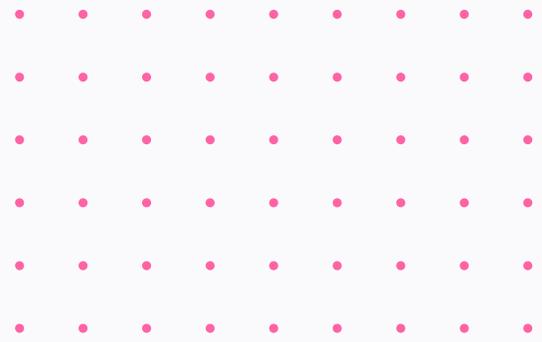


5 Strategies for Increasing Profit in Your A&E Firm

 mosaic



Growing an A&E firm requires a balance of increasing revenue and maximizing profit margins. Revenue by itself doesn't guarantee more profit. You can, in fact, grow revenue aggressively and simultaneously put your firm out of business if costs aren't kept in check.

There are three key components to maximizing profitability: your people, your processes, and the right technology. While your people are your most important asset in generating profit, it's also critical to have systems and processes in place to make sure all new work converts to an increase in profit, not just more revenue.

The most common approaches to increasing profit margins are to charge higher rates and reduce costs. But a great opportunity lies in improving the way you manage your existing book of business.

There are five strategies you can easily implement to improve profitability within your organization.

1. [Get Workforce Visibility](#)
2. [Increase Utilization](#)
3. [Review Contracts](#)
4. [Prevent Scope Creep](#)
5. [Analyze Your Book of Business](#)

Strategy 1: Get Workforce Visibility

Visualize who is working on what, when.

Your workforce is the most important factor in the profit equation—from architects, designers, and engineers to project managers and senior leadership. Their ability to perform optimally is key to unlocking a smooth-running, profitable organization.

Gaining visibility into your workforce allows you to improve efficiency and balance workload now and in the future. It sets the foundation to increase profitability.

Chances are, you don't have the visibility you need today. You probably often feel like you don't really understand what's happening inside your team, let alone across the company. You might be like the many businesses using spreadsheets and ERPs to manage their teams' workloads. But these methods are siloed—highly manual and disconnected from other tools the company is using. It takes a lot of time and effort to maintain, so the information is often outdated. Plus, no one seems to review these plans except for the people entering the data.

This lack of visibility is only magnified by our now hybrid and dispersed world. In the past, managers could easily sit down and check on their teams. Now we need to rely on technology for collaboration and team oversight.

Resource management (RM) software solves the visibility issue and gives stakeholders insight into who is working on what and when. With the right software, they can identify capacity issues, enable collaboration, forecast workload, and get proactive with hiring strategies.

Identify Capacity Issues

Poor workforce visibility inevitably means that some people will be overworked and burning out, while others don't have enough to do.



You must be able to answer some clear questions about your team's capacity to truly realize the potential of your business.

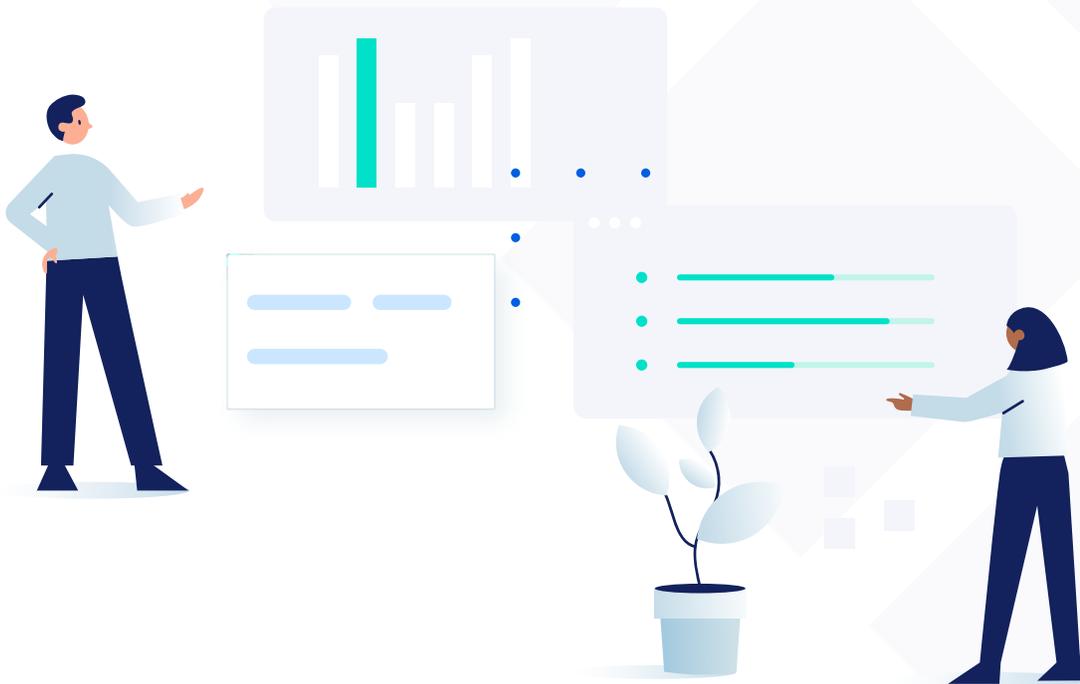
1. Is everyone busy?
2. Do you have too many projects or not enough?
3. Do you have some people working overtime and others sitting on the bench, not billing their time?
4. Are certain staff members spending too much time on tasks, and if so, why?

Asking these questions after the fact doesn't do any good. You can't get that time and money back once it's already been spent. Modern planning tools make it easy to visualize workload across the entire organization, so you can answer all of these questions during the planning phase and make sure everyone is always working at capacity on revenue-generating work.

Enable cross-department collaboration

Another way modern planning software directly impacts profitability? It gets everyone on the same page. Centering the conversation on work elevates teams to higher value, strategic discussions. When everyone sees the work to be done and contributes to the planning of it, collaboration strengthens, communication improves, and accountability increases.

With shared visibility into the big picture, project managers stop fighting over resources, staff no longer gets double-booked, and people can more easily step in to help each other when needed. Better work done faster by more cohesive teams? Sounds like a recipe for success.

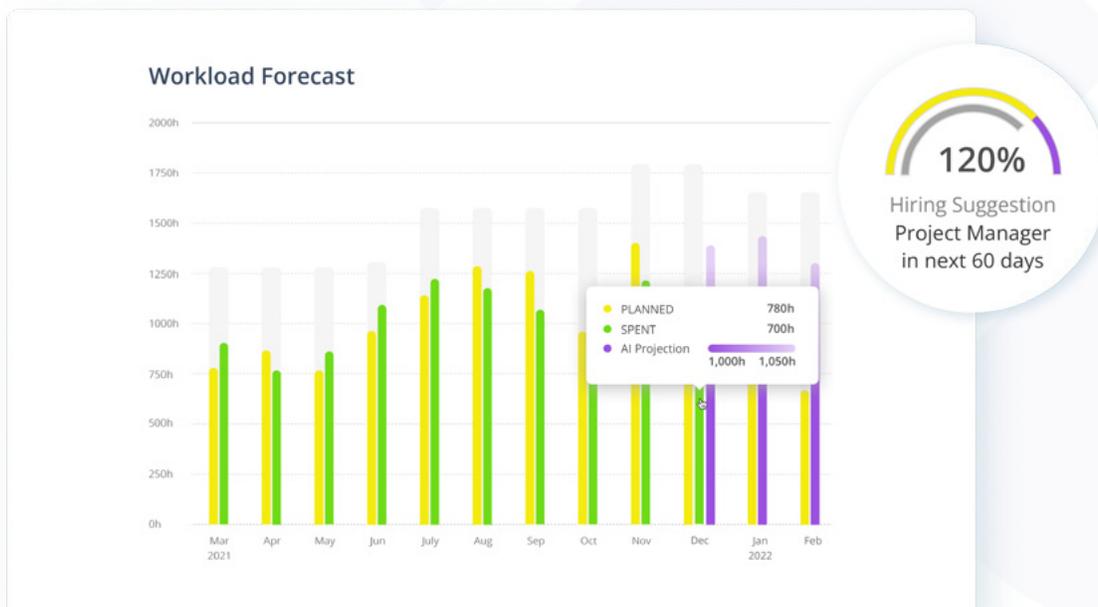


Forecast workload

Firm leaders are all too familiar with the stress of wondering if there's enough work to keep the team busy for the next quarter. This often leads to poor decision-making, causing sales to take on projects that aren't the best fit or ones that the company may not even be able to complete. The former results in poor execution and the latter turns into many late nights hustling to meet all the deadlines.

The holy grail for any organization is the ability to predict workload going forward—to know exactly how much work you have for the next quarter and beyond.

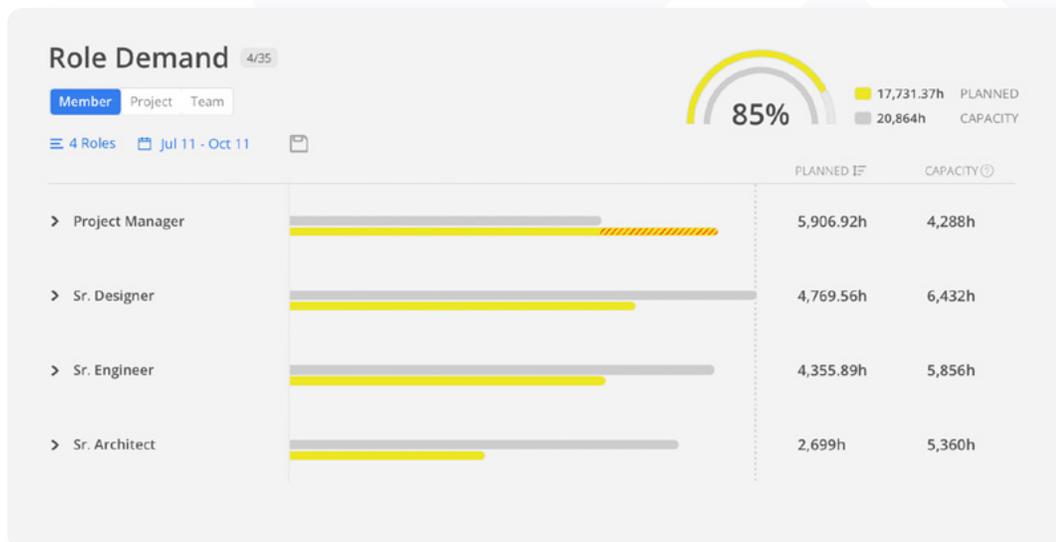
Resource planning tools make this a reality through AI-powered predictions that enable heavyweight analysis to accurately predict workload quarter after quarter. You can see if there's too much coming or if you need to chase proposals. With this kind of insight, you can perfect your staff-to-project ratio, only pursue projects that fit your available resources, and better protect your business's long-term profitability.



Improve hiring strategy

With clear workforce visibility and accurate workload forecasts, you can finally be proactive and not reactive in your approach to recruiting. A smart hiring strategy isn't just about getting the right people. It's also knowing when to hire for long-term success, not just short-term gains. Optimizing your hiring strategy will help you balance headcount to revenue and lead to notable gains in profitability.

Resource planning tools compare upcoming demand for each role against the capacity of staff in those roles, indicating where demand exceeds capacity. It can also assess the skills of current staff to identify strengths and weaknesses so you can build a more well-rounded team.



Strategy 2: Increase Utilization

Ensure people are busy with the right balance of billable work.

Being able to visualize your workforce allows you to truly focus on the most surefire way to boost profit—utilization.

Utilization is about how much time your staff is spending on billable work as opposed to non-billable overhead work. For companies where their revenue models are built around billable hours, the business objective is to balance and maximize billable work. It's an incredibly important metric.

The number one way to increase utilization is to have a system where all staff understands what they should be working on now and what they should be working on next.

Even a modest improvement in utilization drives significant profit gains. Consider a company of 100 people with an average billing rate of \$150 per hour. If they increase their total billable time by just 3%, that organization will make an additional \$540,000 in revenue.



60%
Billable Time

+3%
Billable Time
Increase

\$540,000
Additional Revenue

u·ti·li·za·tion

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noun

the action of making practical and effective use of something.

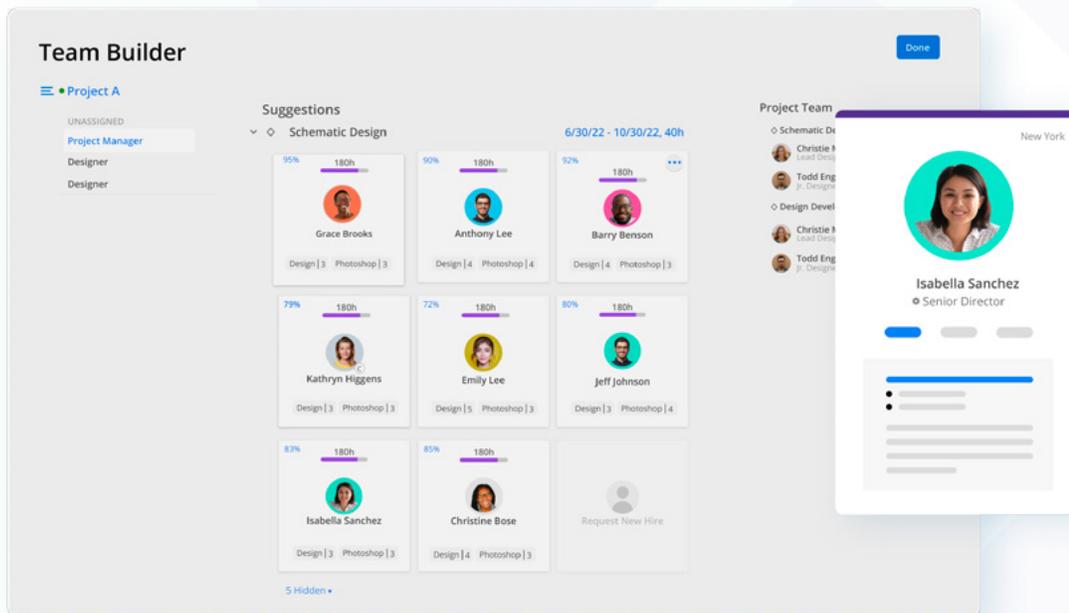
“steps to increase the utilization of resources”

Set utilization goals

All billable employees should have utilization goals. To set utilization goals, use your resource planning software to conduct a historical utilization analysis. Look at utilization by discipline, department, role, and the entire organization over at least the last 18 to 24 months to identify trends and averages to inform realistic goals.

Use AI to optimize workload

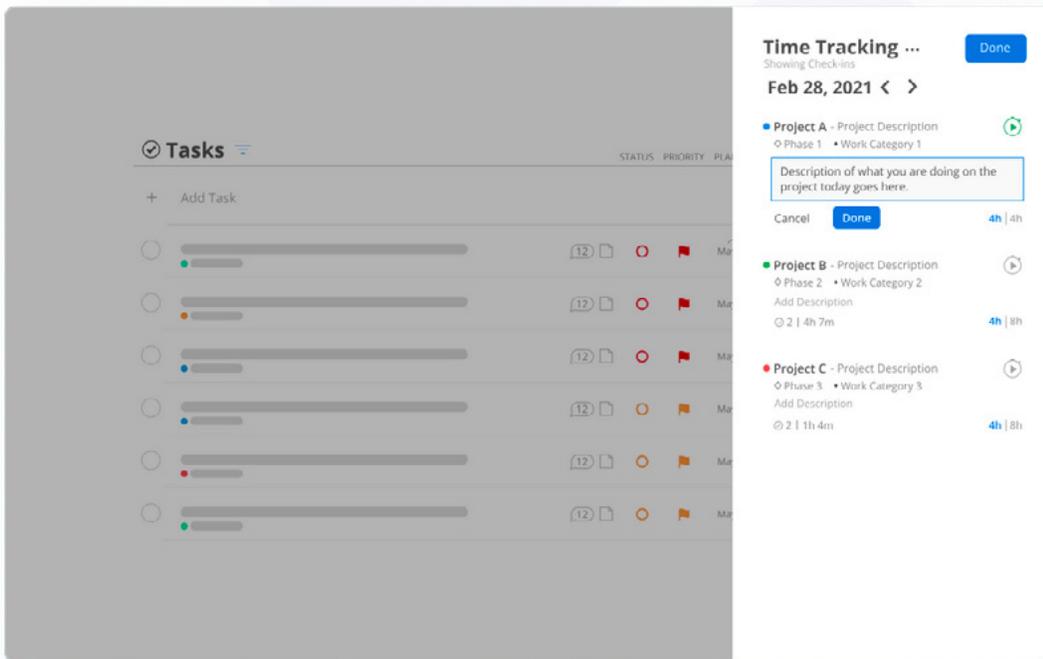
AI-powered software can optimize project staffing by recommending which projects people can work on based on all data in the system, like availability, location, and skills. This enables you to quickly ensure people are always busy with the right projects.



Monitor utilization across all roles, even senior staff

Senior staff bill at an [average rate of more than \\$500](#) per hour, depending on the industry. Even with their higher salaries, they generate significantly greater profit margins than their junior counterparts.

Unfortunately, senior staff often aren't as billable as they could be because they're spread across many projects, making it challenging for them to track time. By leveraging automatic time tracking, their timesheets are prefilled with all the projects they're working on, including estimates, so they just need to confirm hours. Think what a difference billing for senior staff members' time will make in your contract values.



Strategy 3: Review Contracts

Value your work and set expectations from the start.

It's surprising how many seasoned business owners have experienced being financially burned by contracts. You likely got into this business because you enjoy the work, but that doesn't mean you should lose money doing it. You spent a career honing your skills, so charge for the value you've created.

You get to set the terms, outside of very large organizations and governments, of course. Don't negotiate yourself a poor deal.

Take the time to review your contracts and make changes that will protect your profitability. This includes auditing past projects, taking steps to limit scope creep, adjusting fees if necessary, and making sure you always have an out clause.

Review rates

Do an audit of past projects. Look at variance reports on time, schedule, and budget. Identify your total profit (or loss) and profit margin on each project.

Then, evaluate your current rates against industry benchmarks. The blended rate for most architecture and engineering firms ranges from **\$125-250 per hour**. This can be significantly higher depending on the size of the firm, if it's located in a major metropolitan area, and the experience level of the staff.

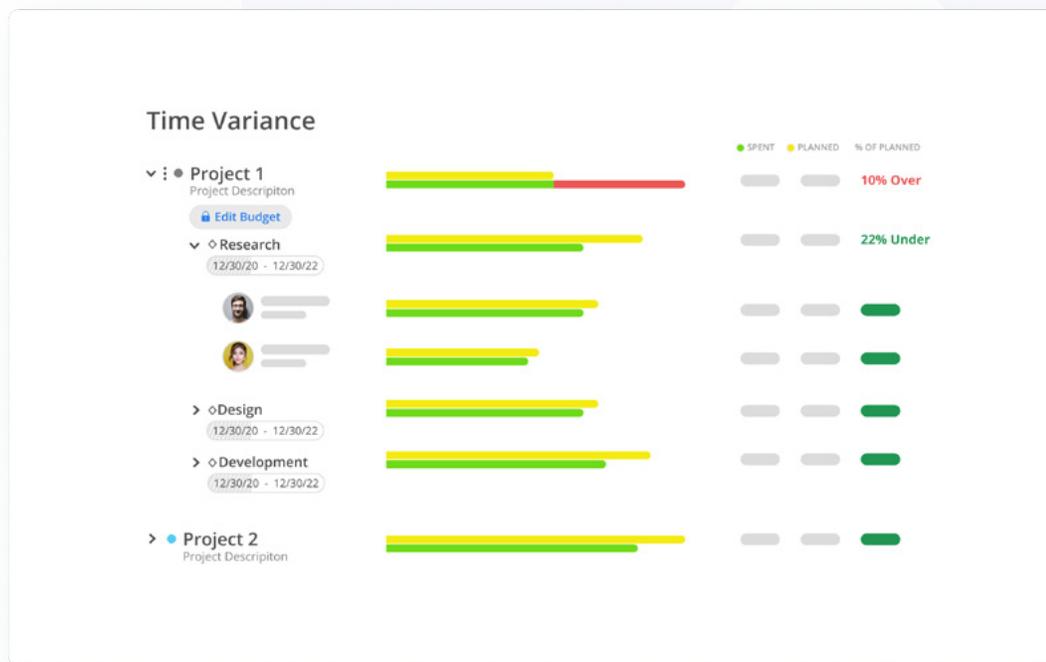
Don't negotiate yourself a poor deal.

If you discover in your audit that your rates are too low to cover your costs, or that you're not charging as much as similar companies, it's time to adjust your rates.

Learn from past project costs and adjust fees

Conducting a time variance assessment post-project completion will help you see if and when things went off course. While this is a standard resource planning process, lookback analysis rarely occurs because it's historically been completely manual.

Here is where intelligent planning software can benefit you. Strong historical reporting is baked in. You can quickly conduct a variance assessment once the project is finished. Use this data to inform your time estimate, fee amounts, and invoicing schedule.



Always have an out clause

Be sure to include language in your contracts that either party can terminate with notice. This way, if the engagement isn't working out, you have an out clause as a last resort. Life is too short to be stuck in a bad situation.

Even if terminating the contracts costs you money, remember that it could cost you a lot more in the long run.

The following are examples of termination clauses. *Remember, these are just examples, and you should absolutely have an attorney review your contracts.*

Example 1

Termination of Contract.

Either party may terminate this Contract at any time, upon presentation of a sixty (60) day notice given to the other party.

Example 2

Termination of Contract.

If through any cause either party shall fail to fulfill in a timely and proper manner its obligations under this Contract, or if either party shall violate any of the covenants, Contracts, or stipulations of this Contract, the other party shall thereupon have the right to terminate this Contract. In the event of such termination, the Consultant shall be entitled to receive just and equitable compensation, not to exceed the agreed amount for services provided before termination, for any satisfactory work completed on such documents and other materials prior to receipt of Notice of Termination.

Example 3

Termination of Contract.

Except as otherwise provided under this Contract, either party may terminate this Contract upon ten (10) working days written notice to the other party in the event that said other party is in default and fails to cure such default within that ten-day period or such longer period as provided by the non-defaulting party. The notice of termination shall state the reasons therefore and the effective date of the termination.

Strategy 4: Prevent Scope Creep

Understand the project's scope and when to ask for more money.

A project can take many different turns throughout its lifecycle. Don't try to predict the future. Instead, execute on the approved work and over-communicate everything else. If you lose money on a project, then it wasn't worth doing the project to start. All that lost time and money could've been spent securing more profitable work.

Your scope of work document is your most important project document. These are the bullet points of your proposal and your source of truth as to what was agreed upon. It needs to be clear to protect you from any downside due to scope creep. Investing a few extra hours when preparing your proposal will save you from losing a lot of money down the road.

Make scope management part of your process by tracking every step, getting advanced approval for any out-of-scope work, and regularly reviewing the scope with the entire team.

Track scope

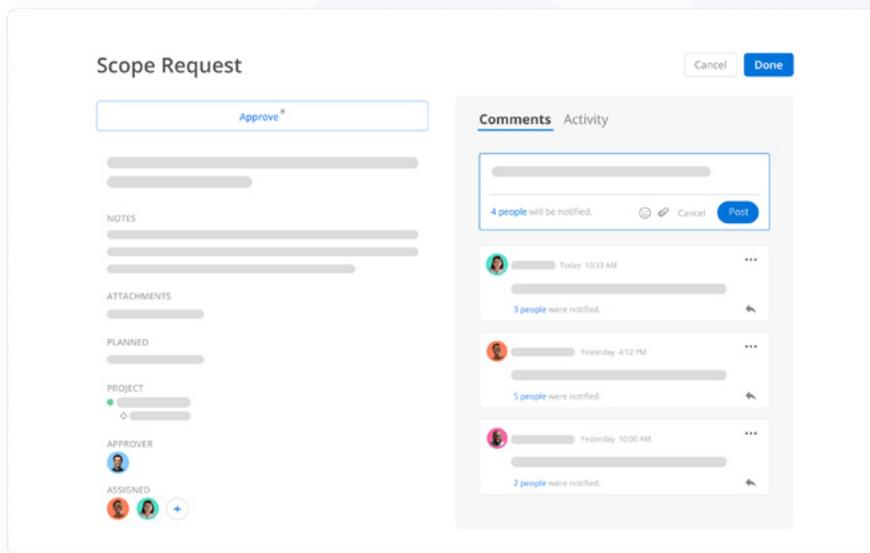
It's essential to track scope. Our suggestion is to maintain a document that everyone on the team can easily access to monitor the work completed and add additional services as they come up.

Templating these forms will make it repeatable between projects and allow you to patch holes in your proposals like:

- Poor time estimates
- Missing stages
- Exclusions

Get advanced approval for next steps or out-of-scope work

People will pay for additional services if they're justified and agreed upon prior to performing the work. Asking for approval with a large bill after the fact is what gets people in trouble.



Review scope with the team

Be sure to have a kickoff meeting with your team where you review the entire scope together. Then create internal milestones within each phase of the project so you can review it again. You'll use these meetings to validate that the project is on track, make sure everything is within scope, and get approval to proceed to the next step in the project.

Projects can be fast-moving, so make sure that your contracts permit additional scope to be approved via email.

And we can't stress it enough—getting approval for these additional services before performing them helps ensure everyone is on the same page and that you'll be paid.

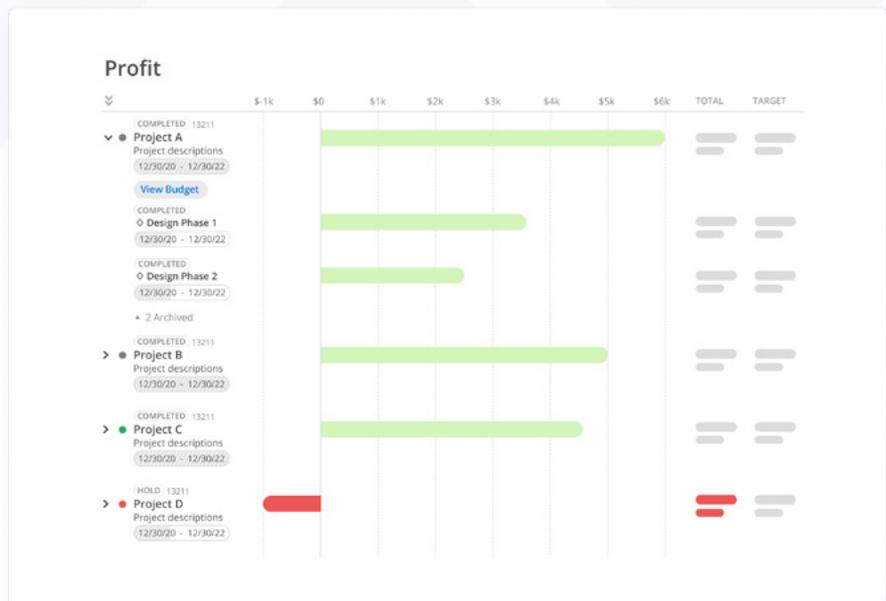
Strategy 5: Analyze Your Book of Business

Confidently pursue the right projects and clients.

Everyone wants to secure the best projects from the best clients, but that’s certainly easier said than done. Conducting a profitability analysis helps teams understand which projects will be the most profitable and are the best suited for them. Leverage your resource planning software to analyze firm profitability. Below are some examples of insights you can gain from this type of reporting.

Assess project profitability

It’s important to remember that people are working hard on these projects—sometimes too hard. It doesn’t have to be that way if you can do less, but more profitable work. A project profitability report will show you where your business makes money—and where you lose it.



Cut the losing projects and clients

It's crucial that, once you know where you lose money, you take the steps necessary to prevent it from happening again. You may have to cut out projects and possibly some clients you've worked with for a long time.

This can be hard. Building close relationships is essential to growing your business, but not all work is equal. You may find that you have some clients that give you a lot of work and consume a lot of resources, but the profit on their projects is very low. If you can't fix the profitability situation, it may be time to part ways. Having a tool that helps you understand the numbers allows you to make these decisions based on real information—not gut instinct or emotions.

Building close relationships is essential to growing your business, but not all work is equal.

Determine if you should specialize

A profitability analysis will also show you which markets or service offerings are most profitable, which allows you to determine if your firm should specialize.

Specializing in a specific industry or discipline can make it easier to bring in more business. It may even further justify an increase in rates. And it allows your team to create efficiency by tapping into knowledge and skills they've already honed.

Identify A/R lags

It's also crucial to stay on top of your accounts receivable. Again, no matter how close the relationship, if you aren't getting paid or if you have to follow up for months to get paid, it may not be worth it.

Granting real-time account status visibility to project managers can be a helpful strategy to get invoices paid on time. They can use this information to encourage clients to get payments in before service is disrupted or the project is put on hold.

Remember, as hard as it may be, if a client is severely past due on their payments, don't be afraid to stop their project. You are not in business to work for free. As long as you communicate your terms clearly and give clients advanced notice that service will be interrupted if they don't pay their invoices, they will understand.

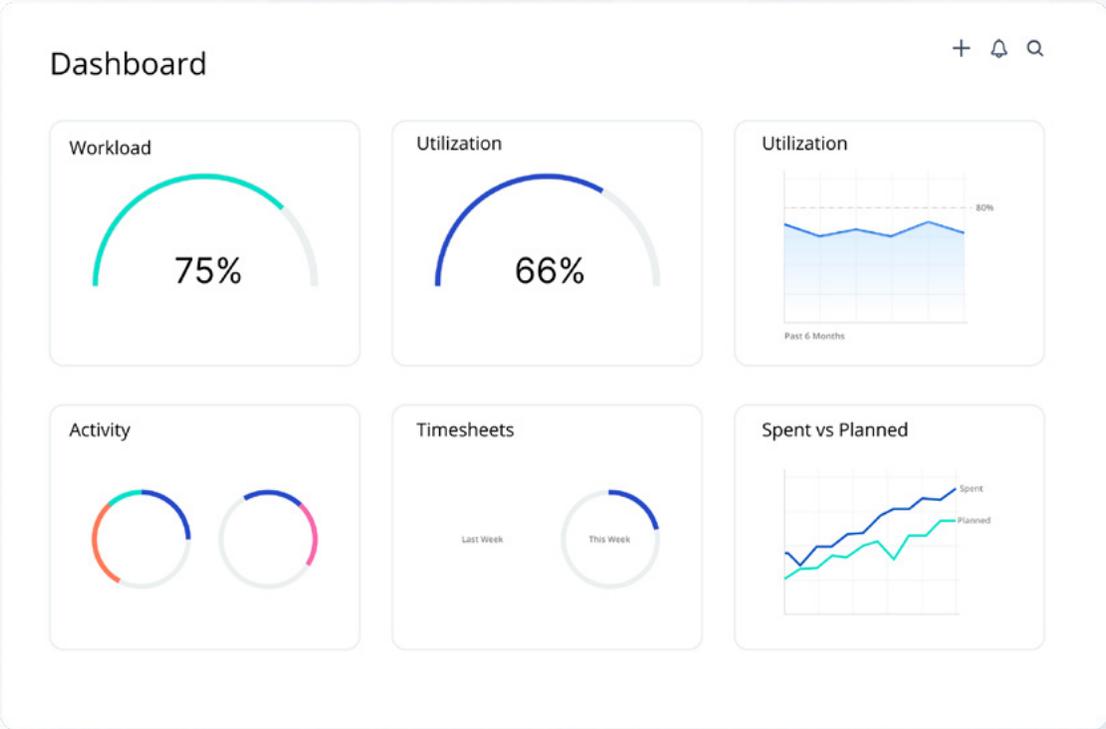
Good A/R Practices

- Make sure there is an invoicing schedule in the contract.
- Stop work for a client if they don't pay in a reasonable time frame.
- Add interest to late invoices.
- Make it easy for people to pay and offer multiple payment options.
- Have staff pick up the phone and call the AR list.
- Bucket past-due invoices into 60/90/120 tiers. Once over 120 days, send a tier 2 letter.

The Role of Software in Boosting Profitability

AI-powered resource planning software is the keystone for all of these strategies. These powerful tools give A&E firms complete workforce visibility as well as the ability to optimize capacity planning, forecast workload, monitor project timelines, and get detailed insights about business productivity and profitability.

Built for A&E, [Mosaic](#) is AI-powered project and resource management software designed to help you optimize your firm's profitability.



With Mosaic, you can finally answer the big picture questions that are key to increasing profit:

- Does everyone have enough work?
- Who's under capacity?
- Who's over-allocated and at risk of burning out?
- Which projects are most profitable?
- How are projects tracking against budget?
- When can new projects start?
- Will you meet project deadlines?
- Do you need to hire to keep up with incoming demand?
If so, when and for what roles and skills?

Schedule a demo to see what Mosaic can do for your organization.

[Request a Demo](#)

Mosaic will boost your productivity and profitability. We guarantee a minimum 3% increase in billable time.

See what ROI your firm can expect from using Mosaic.

[Calculate Your ROI](#)



About Mosaic

Headquartered in New York City and launched in 2018, Mosaic is the first resource management software that enables real-time collaboration for planning work.

Harnessing the power of AI and automation, Mosaic enables data-driven resource planning, reporting, and forecasting for project-based businesses. Through powerful integrations, Mosaic automatically gathers, organizes, and analyzes data to deliver complete business visibility in one intuitive interface. Mosaic rescues teams from clunky spreadsheets and provides greater visibility than traditional ERP software. We guarantee that we'll boost productivity and profitability, and we provide a free 30-day trial today.



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