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The truth in black & white about

Destroying the over-servicing DEMON

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`How on earth` do you tackle the gargantuan demon that is over-servicing?

It's a problem that has haunted agencies and project based businesses alike since the beginning of time.

Make no mistake about it: it is a demon, destroying your profits, eating your ability to invest in your business, and standing firmly between you and the prospects who will pay you what you deserve.

In my opinion the over-servicing of clients in service based businesses is the greatest impediment to agency profitability.

Do we as business leaders of service based organisations simply have to accept over-servicing as the status quo? An inevitable suffering inherent of selling a time-based service, or are there tangible measures that can be introduced to reduce or better yet eradicate giving away our valuable time and expertise?

Black & White
insight #1

If you don't value what you do, how can you expect your clients to?

"The cynic knows the price of everything and the value of nothing." Oscar Wilde

The over-servicing clients conundrum usually manifests itself from the fact we all want to do a good job for our clients. This can mean working far more than we should, or critically, more than we are being paid to do.

If you're working with a client and they're not paying you to do it, your time can't be spent with those who are willing to pay you.

It's human nature to want to give more, but at what cost?I'm going to argue in this micro report that your "more" (over-service KPI) should be less than 10% of what the client is paying you - i.e. the fee.

If, for instance, you have a £5,000 per month retainer, you absolutely should not work more than £5,500 per month.

This goes back to the importance of tracking time. You won't know how much you're over-servicing clients if you don't track your time.

I guarantee every one of you is over-servicing clients, but do you know to what extent and by what value? By nature, most of us are people pleasers. We don't like to say no. But the funny thing about over-servicing clients? You think you're doing right by the client, but eventually it catches up with you.

You get frustrated because you feel taken advantage of and the client is frustrated that you suddenly scaled back on the work you're doing, or are forced to give it your best Oliver Twist routine…"please sir, can I have some more?"

Either way you lose, the client loses, relationships breakdown and yet…we continue to do it. If you don't value your time, neither will others. It's time to stop giving away your time and expertise.

Value what you know and start charging for it.

Sales invoice value £ - (internal + third party direct costs £) = gross profit or contribution £

When speaking to members of my network about over-servicing, more often than not the lead into the conversation specifically relates to the percentage of chargeable time being "recovered".

Gross profit or contribution as a percentage of the chargeable time value recorded on the project or campaign will provide an indicative time recovery i.e. whether you are, or more likely are not recovering your time.

Recently a project based business owner (who for this purpose will remain nameless stated they would be "**ecstatic**" if they could get their team recovering 70% of the chargeable time they recorded.

Whilst recovering 70% of all chargeable time may at first glance appear a pretty reasonable KPI, flipped on its head it means they are happy giving away 30% of their chargeable work for free. When I commented that surely this result couldn't be aspirational a "lively" debate ensued.

My argument is that all too often we are quick to celebrate what appears to be at face value a reasonable financial performance e.g. 70%. Instead we should be focussing on the gap between the time and billable value, looking for sustained marginal gains, with a firm commitment to dragging the result ever closer to the unicorn 100% value.

Here are some thoughts that I hope will stop you in your tracks(*):

· **If over-servicing clients is something you do to the tune of 10%, it's like working for that client for free from mid-November through year-end.**

· **If you over-service that account by 20%, it's like working for free from the run up to Halloween through year-end.**

· **Over-service by 30%, you've effectively worked the entire fourth quarter for free.**

(* Based on 260 working days per annum)

I know I'm going out on a limb here, but I'm guessing nobody reading this micro report opened their business to do client work for free.

TRACK YOUR TIME! This isn't an option in a project-based business where time is what you sell.

I know, I know. It's a royal pain the backside. I'm yet to meet an individual who relishes the thought of completing their timesheets by the requested deadline each day / week / month.

Over the years I've heard some pretty spectacular excuses as to why team members have failed to record the minimum number of required hours for a period, let alone reflected the actual number of hours they've worked… often far exceeding the standard 37.5 per week.

At BDB we made the bold step to link our enhanced benefit package (unlimited holidays, flexible working, ability to work from home etc.) to only one KPI – accurate and on time completion of the time-sheets.

This has been transformational for our business with 100% time-sheet completion in the last 12 months.

You, as a business leader, have to tackle this issue and take it seriously. After all, it is your time you're selling, and every lost hour could be generating more hard earned profit to your bottom line to assist with growth and delivery of your financial plan.

You cannot effectively manage budgets of any kind if you don't track your time. Imagine if a business didn't track inventory. It's the same thing.

This is the only way you will know how much capacity you have to work with new clients or take on a new project. It's how you know when it's time to hire someone new and it's how you know how much it costs to do things. Tracking time means you know how much things will realistically cost in the future.

That's why, even when you're over-servicing a client, tracking time—every minute of it that is spent—allows you to be strategic and smart about the budgets you're creating. When you go to budget new business, you can go into your financial history, take the last three similar clients or projects, add up the costs and divide by three to build a well-informed price point to move forwards on.

This is where a user friendly, accessible platform and system to record time is worth its weight in gold.

As referenced earlier I'm yet to meet an employee fizzing with excitement to complete a timesheet but I have seen many systems which effectively act as a barrier to encouraging timely completion. You want to make recording time as easy and possible, don't give your team any excuse.

Introduction / What is it? / Cost / **Time** / KPIs / Excuses / Ask yourself / Conclusion

"Time is money." Benjamin Franklin

The ever evolving technology landscape and increase in flexible / remote / WFH has forced me as a business leader to assess our tech stack.

We now have implemented systems and practices that mean a team member should be able to work seamlessly from any location they choose. This is of particular importance for our business given our international client base and global travel from week to week.

Yes, there is a time investment and financial cost to implementing a new tech stack but believe me, the hours you get back by not continually chasing team members from an administrative perspective alone will ensure the payback period is quick.

A quality end-to-end agency / project management software puts you back in charge with automated and accurate dashboard reporting which ultimately saves hours of time speculating and manually attempting to quantify the project performance.

Investing in the right systems to assist me to steer the ship is one of the best decisions I've made. The impact on the financial performance, team morale and culture makes it worth every penny.

Black & White
insight #2

**Enhanced recognition =
Enhanced performance**

Introduction / What is it? / Cost / Time / **KPIs** / Excuses / Ask yourself / Conclusion

"Measurement is the first step that leads to control and eventually to improvement." H. James Harrington

Perhaps my days working and qualifying as a Chartered Accountant will always sit at my core, but I strongly believe, if you don't measure it, you can't improve it. I had the fortunate opportunity to work with, and learn from, some of the best and arguably most flawed business leaders out there.

Those that had evolved slick, automated management reporting with clear performance KPIs, where they held themselves accountable to the actual results for each period - these are the people to idolise, emulate and get close to. Whenever I asked what had driven them to "take things seriously" their response was consistent, that if they were serious about growth, such valuable performance data that could easily be measured and improved upon helped shape and hone their focus from month to month.

Conversely, there are and were those business leaders (perhaps in reality by title alone) that were flying blind, guessing and had got by with the classic "back of the fag packet" budgets, calculations and performance qualifications. You may get by for a short time with this approach, but when dealing with sizeable projects it only takes one bad decision for the house of cards to fall.

Only you know which bucket you currently sit in. You are the master of your destiny, whether you choose to be a poor, good or great business leader. Every decision you make either takes you closer to or further away from your aspirational position.

"If it's important to you, you will find a way. If not, you'll find an excuse." Ryan Blair

Excuses are just a barrier between where you are and where you want to be. The incredible thing is we create those excuses over and over again. The only way you'll move past the barrier is if what's on the other side is more important than the excuses you make.

There are only two fundamental reasons why over-service can really occur.

1. ∎

It's your fault, suck it up and learn from it… own the issue, explain the misjudgement to all relevant stakeholders (client, employees, finance) and most importantly ensure you don't make the same mistake again when quoting for similar projects.

2. ∎

It's a result of scope creep (i.e. when the goal posts are moved throughout the project, so the initial scope of work and fee structure bears no resemblance to the final output). If you've let things slip and don't have the tools at your disposal to flag such issues live as they are occurring, it may well be too late.

My days in professional services taught me, through several difficult client conversations, that it's far easier to tackle scope creep as it's happening, as opposed to going to a client cap in hand trying to justify your overruns and irrecoverable WIP balance after completion.

Never knowingly over-serviced?

Many people would argue it's OK to over-service. On reflection, when I have struggled with the internal turmoil of whether or not to over-invest in a prospect or existing client, it usually comes back to bite me.

Who was I trying to convince? How many acorns have I witnessed turn into oak trees during my career to date?… ZERO. Again, being honest in the pit of my stomach I knew this was the more than likely outcome when entering into the relationship.

I've heard many project based business owners comment how the "overtime" represents their "investment" in the client, it's their way of showing a client or prospect how important they are.

I even heard referenced on a podcast recently a recommendation to note down on the client invoice the number of additional (non-billable hours it took to complete the project. This to me sounds like lunacy and I'd argue all you are achieving here is making a rod for your own back by showing the client that you're OK giving your work away free of charge.

The two most common reasons given as to why over-servicing is acceptable are:

1.

You have a strategic reason to over-service. For example, you have the opportunity to get into a growing industry category which you know you can serve and serve well. Or you want to get into a specific practice area and need some case studies.

2.

You have an opportunity to take on a project for a large organisation and you believe you can turn it into a larger assignment and make a fair profit. We've all used this rationale, but in reality, are these genuinely solid, strategic decisions where we are happy to absorb the pain and expense of over-servicing or are you really avoiding either declining an opportunity or having a difficult conversation?

SCOPE CREEP "It's like watching a frisbee and then wondering why it's getting bigger…until it hits you!!"

Dealing with creeps:

Scope creep can create a stressful work environment and take the fun out of doing what you love.

When requests for additions or changes to your project come up, saying yes can be an automatic reaction. However, that extra work can quickly add up and lead your project into the dreaded area of scope creep.

Scope creep occurs when a client adds new provisions, tasks, or deliverables to a project that are outside of an existing scope of work. These unforeseen changes can lead to missed deadlines, financial losses, increased timelines and budgets, and client dissatisfaction.

When deliverables are not clearly defined, stakeholders are not involved or supportive, or tasks turn out to be more complex than initially thought, a project can be at risk of scope creep.

Black & White
insight #3

"Goals allow you to control the direction of change in your favour."
Brian Tracy

Introduction / What is it? / Cost / Time / KPIs / Excuses / **Ask yourself** / Conclusion

Here are my top five questions to ask yourself before entering into any billable project:

You'll be pleased to hear all is not lost and there are tangible processes and controls that can be introduced to mitigate the risk of over-service arising from scope creep occurring in your business.

1.

Do you have a robust scope-of-work (SoW) and a budget signed off?

- Vague scopes and budgets protect the client, but never the service provider. The SoW needs to clearly state what you will and will not do.
- Discuss deliverables, timelines, milestones, duties, and responsibilities both for you and your client. Collaborate to outline a clear plan of action that will help you both meet the project goal.
- Make sure you include language to reflect any tactical assumptions you have made and any specific items that will require additional funding.
- Only an ironclad SoW and budget allows you to push back to protect your company without jeopardising your authenticity and ongoing client relationship.
- When a client approaches you with additional requests, start by reminding them what your original scope of work entailed, and then present them with two options. You can either add on the requested work for an additional expense, or you can proceed with the agreed-upon scope of work. This gives the client a simple choice, and you won't lose out on your own time and compensation.
- Of equal importance is training your team to think and

respond using this tactic. Let's be realistic when a client wants something for nothing, they're going to ask the team, not you the boss, as they will perceive them to be an easier target.

2.

Does your team have clear roles and responsibilities?

- Projects rarely move from start to finish without a few bumps in the road. As part of your initial preparation, put a backup plan in place. Define a process for addressing scope creep: discuss who will be responsible for reviewing and approving requested changes or additions, how long timelines can be extended, and the cost associated with extra work.
- Having these conversations before you begin your project will help you avoid potentially awkward interactions down the road, ensure the client is mindful of your time, and keep your fees in check.
- The role of the "monitor" on a team should be seen as being critical to the success of the project. When everyone else is dragged into the minutiae detail it's so important for someone to regularly take a step back and appraise how financially the project is progressing. The role is of increasing importance as the lead time for delivery of projects increases.

I firmly recommend at a minimum bi-weekly reviews so anything that needs bringing to the attention of clients doesn't miss a monthly invoicing cycle.

3.

Are you willing to talk transparently and with confidence to the key client contacts regarding over-servicing on a timely basis?

· Clients may well be aware that you spend more time than the amount you're invoicing them for. The bad news is, they're not going to raise this topic as an area of concern. That's the job of the senior client handler, to not only identify the issue, but then be empowered and confident to tackle it before the demon spirals out of control.

· The good news is most "desirable" clients want to operate in a fair and equitable manner and are happy for you to make a fair profit. If they aren't, it might again be time to reconsider the company you keep.

· All that said, over the years I've worked with many a client where their interpretation of a win/win relationship was very different to mine.

· The more comfortable you are in discussing the financial aspects of project performance, the more they will be too. Profit isn't a dirty word to shy away from. The client has requested your services as assumedly because you either have expertise they don't, you're saving them time or money or best yet, your skills enable them to maximise their financial performance and return.

· You need to find a way to discuss finances, especially account profitability, as comfortably as you discuss PR initiatives, a communications plan, KPIs and campaign results.

What's the best way to get more comfortable with something? Do it regularly, consistently and lead from the front. Champion transparently discussing the disparity between agreed fees / scope and time recorded and what this means to your ability to earn a fair profit.

4.

Are all key stakeholders committed to maintaining active, positive, respectful communication?

The work done on the project is your responsibility, not your client's. If there's a change in scope then you need to manage this through. Tell your client about the implications of the change and how it will impact timescales. Listen to their rationale and agree with them a course of action, making sure you give them the facts, and the benefit of your professional opinion.

5.

Are you willing to say no?

Your client is paying you for your expertise and experience. Given this, you may see that a certain change request is not needed, won't enhance the project or could have serious implications. In this instance, it's reasonable, and ultimately beneficial to your client, if you say no. But crucially, clearly explain why you hold this opinion.

"There comes a time when you have to stop crossing oceans for people who wouldn't even jump puddles for you."

Over-servicing is a formidable demon, capable of destroying your business…if you give it time to fester and bed-in and become the accepted rule rather than the exception.

With the right culture, KPIs and technology stack to aid with your business management, you can overpower the demon and take control of when and how much you allow it to raise its ugly head.

As a business leader, it is your responsibility to tackle this timeless issue. Make 2019 the year you step up and stop giving your time away for free.

Place value on your expertise.

The positive impact it will have on you, your team and the type of client you choose to work with will be game-changing.

Good luck

Matt

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