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Appendix: About the CD-ROM

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If you assessed the available books on the topic of managing professional service firms, you probably arrived at the same conclusion we did about a year ago. You can find over a hundred books on the topic. Ninety-five percent of these books are written for the independent consultant who wants to learn how to incorporate, how to develop a proposal, how to sell themselves, and how to individually deliver a project to a client. The other 5 percent of the published books target the executives of large, national consultancies with thousands of consultants/employees. There were no books available to help the professional service firm with anywhere from 2 to 1,000 professionals. Yet, almost 75 percent of all professional services companies are in this group. In the books for independent consultants, you learn the basics (e.g., how to act on the client site, what the start-up costs are). In the books for large consultancies, you learn how to expand internationally or about developing philosophies. In this book, you learn how to grow an existing firm. You learn at what points you need to make decisions such as adding administrative support, opening another office, building another service line. You learn how to determine what is the best sales organization structure for your firm. You learn what information systems you need to build and when. This book is for the growing consulting company and its associates and management.

The bulk of our consulting experience has been in the technology consulting and management consulting fields. We have had interesting consulting problems involving 50,000-, 2,000-, and 500-person consulting organizations. Significant input in this book has come from lawyers, accountants, doctors, and many other professionals. The contributing authors have varied and successful professional services backgrounds. This book consolidates the best practices for the mid-size consulting company. We have observed consistent patterns of success and failure in consulting and have been fortunate enough to survive them. The main goal of any professional services company is to add enough value to your clients that they will pay you enough to cover your costs and make a decent profit. We have captured the lessons learned and the tools, techniques, and practices that can help a professional services firm as it grows to include more and more professionals.
Benefits for the Reader

From this book, you gain valuable skills, including:

- Identifying the main management areas of a successful professional services firm.
- Understanding of the scope and key success factors in each management area.
- Developing approaches for auditing current performance by area.
- Understanding the main sources of wasted resources.
- Identifying the industry average spending and investment commitments by area and professional services type.
- Distinguishing the business of managing the firm from the delivery of professional services.
- Understanding symptoms and sources of professional services firm inefficiencies.
- Learning the critical improvement steps in each of the main management areas.
- Learning how to make better decisions in firm strategy and direction setting, hiring practices, operations, technology, marketing, and overall management.
- Using specific cases and anecdotes from professional services firms to illuminate and further explain the material.
- Becoming familiar with specific advice from well-known practitioners in each of the service areas.
- Achieving higher utilization from their existing professional services assets/consultants.
- Achieving higher ROI from capital and operating expenses.

In addition, you develop a keen understanding of not only the building blocks of successful firm management, but also how to grow and leverage current assets.

Language Specific to Professional Services

There are terms we use repeatedly throughout the book. These terms are used throughout the field. They are:

- **Backlog**: The value of committed sales contracts that will be executed in the future.
• **Bill rate:** The average billing rate to the client achieved by a particular or group of professionals. In many cases, firms will “set” standard bill rates for classes of professionals.

• **Billability:** The total hours billed during a specified period (e.g., year) divided by the total hours available in during the same period. For example, a lawyer that bills 2,000 hours in a year where 2,000 hours are available for work would have 100 percent billability. Also called *Utilization rate*.

• **Billable:** The status of a professional when they are billing time to clients generally for a protracted amount of time.

• **Client:** The customers of a professional services firm.

• **Firm:** The professional services business or company.

• **Gross margin:** Calculated as *Bill rate* minus *loaded pay rate*.

• **Leverage ratio:** The ratio of junior staff to senior staff. If there are 10 professionals working under a partner, the leverage ratio would be 10 to 1.

• **Loaded pay rate:** Loaded pay rate includes the professionals base pay rate plus taxes and benefits.

• **Partner:** Term used to describe a senior member of a professional services firm. A partner typically has the same rights as an owner of the business.

• **Principal:** Term used to describe a senior member of a professional services firm that works just under the partner.

• **Professional staff:** Term for firm employees directly engaged in providing services to clients.

• **Service revenue:** Revenue associated with billable time.

• **Staff:** Term used to describe support personal (e.g., administrative assistants) also called administrative staff.

• **Utilization rate:** See *Billability*. 
Clearly, an endeavor of this type is the end-result of countless investments by mentors, clients, friends, and teachers.

This book was a major collaborative effort on the part of many people. In addition to our contributing authors, we would like to thank the following people for their invaluable contributions:

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