PROFESSIONAL SERVICES FIRMS: ARE YOU LOOKING AT THE RIGHT MANAGEMENT INFORMATION?

Shifting your focus away from lagging indicators towards leading indicators can help firms take better control of the future.

Does your Management Information (MI) system measure leading or lagging indicators?



Five lagging indicators:



This is a lagging indicator of how you managed the cost of your revenues last year;



This is a lagging indicator of what customers did last year and says nothing about the future;



This is a lagging indicator of what people did with their time last year;



This is a lagging indicator of customer dissatisfaction in the past year (Note: It is NOT a sign of satisfaction);



This is a lagging indicator of how content your people were last year;

Five leading indicators:



Number of new projects opened -

This is a leading indicator of future income;



Number of average days billing in lockup -

This is a leading indicator of cash resource availability;



Number of projects per client -

This is a leading indicator of the level of cross-selling;



Average fee per new project -

This is a leading indicator of revenue growth;



Realisation rate (ratio of average fee billed to average worked rate) -

This is a leading indicator of profitability.

