The 10 Most Common Project Management Mistakes

AND HOW TO AVOID THEM
## Table of Contents

3 Service Organizations Face New Project Demands

4 Resource Problems
   5 The Three Most Common Resource Mistakes
   7 The Resource Solution | On-Demand Networks

8 Profit Problems
   9 The Four Most Common Profit Mistakes
   11 The Project Solution | Manage Each Project as a P&L

12 Process Problems
   13 The Three Most Common Project Mistakes
   15 The Project Solution | Create a Standard Operating Process

16 How to Succeed In Services

17 About Mavenlink on Project Management
INTRODUCTION

Service Organizations Face New Project Demands

This ebook is for project managers and service organizations that are looking to scale their businesses profitably.

To set the stage, we have entered into a new, services-driven economy. There is more opportunity in the services sector than at any other time. However, the world is changing rapidly and it continues to challenge old service models and practices. Market forces are driving the need for increased speed, resourcefulness, and agility. It’s a whole new paradigm.

As a result, there are many common mistakes that are visible industry-wide. These can be grouped into three major categories: Resource, Profit, and Project Mistakes, all of which have the potential to inhibit the ability to scale an organization successfully.

This ebook will highlight 10 of the most common project management challenges and provide solutions to avoid them.

IN THE NEXT SECTION

Learn how to properly balance supply and demand before losing profits. Resource management mistakes are common in services. Learn to avoid these pitfalls before they dip into margins.
People Problems

THE CHALLENGE: BALANCING SUPPLY AND DEMAND

Unlike companies that produce and sell products, service organizations make money by billing out the time of their resources. As a result, resources are usually the largest expense for a services firm, and the biggest risk; if there are too many resources, margins suffer, and if there are not enough, a company can’t take on new work. It’s no surprise, then, that several of the most common project management mistakes are related to accurate resource capacity planning made possible by forecasting the types and numbers of resources needed to successfully and profitably deliver work.
The Three Most Common Resource Mistakes

1. INCORRECTLY FORECASTING STAFFING NEEDS

Trying to accurately predict the number of employees required to meet client demand is a challenge for even the most seasoned resource managers. Firms routinely struggle to get the balance right. Yet, it is also a critical equation—having too many resources “on the bench” will put and keep a company in the red.

For a smaller business, one extra person not fully utilized may mean the difference between being profitable, or not. Larger companies, on the other hand, often intentionally overstaff in the belief that it will allow them to act quickly when an opportunity arises. However, having a lot of people that aren’t fully utilized is a major weight to carry. What is compounding this problem is that there are no resource management tools to help forecast resource demands. Many admit they still rely on assumptions and experiences when making hiring decisions.
2 
**HIRING FOR SKILLS BASED ON SHORT-TERM NEED**

The new realities of the services economy and increased expectations of clients are forcing companies to expand their range and depth of offerings. In 2019, 85% of services firms stated that client expectations were increasing. As work grows in complexity, so do the skills required to deliver this work. Service organizations are committing to large and complex projects that require additional skills beyond their existing capabilities. This often leads to hiring to meet demand.

Unfortunately, these organizations usually only have short-term plans for keeping these resources billable. After the project ends, then what? Try to find business to fill the pipeline with projects that need those skills? Or try to find a different role in the company for these resources? This type of short-term resource capacity planning when it comes to hiring decisions leads to margin leakage.

3 
**HIRING THE WRONG PEOPLE**

The construction of a team is paramount, and it’s necessary to be incredibly thoughtful about who to hire. Ideally, during the hiring process, an organization has time to vet candidates for things such as culture fit. Unfortunately, sometimes time is a luxury. Winning a large new piece of business can feel like a fire drill—the client wants to start the project tomorrow, resources are needed, and the natural reaction is to hire to plug the hole.

There is a sense that it will work itself out later. But, when rushing to fill openings to respond to growth, mistakes happen, and resources come on board that are not a good fit. This leads to turnover, which in turn leads to low morale and wasted cost. Yes, it’s foundational to bring the people on with the required skills and knowledge for the job, but they must also match the company culture.
THE SOLUTION

Build and Leverage an On Demand Network of Contractors

While it’s a common misconception that a large number of employees is a sign of success, it is actually the proper allocation of employees that is indicative of a strong business. Smart leaders resist the knee-jerk reaction to hire in an effort to keep the team as lean and nimble as possible. The solution is to leverage resource management tools to develop a network of contractors, subcontractors, and strategic service providers that can be tapped to manage surge capacity on a project-by-project basis.

There are many advantages to building and leveraging a contractor network. The ability to scale and fill in the right people, for the right projects, with speed, is a competitive advantage. There are also significant cost benefits. It reduces costs of hiring, including prospecting, interviewing, and onboarding. More employees also means more office space, equipment, HR, and other non-billable resources required to manage a growing team. A contractor network, on the other hand, offers flexibility and reduces margin leakage from employees with low resource utilization rates.

To get the most value from a contractor network, ask the following questions:
What type of skills are needed? How often? In which geographies or time zones? And, importantly, how will the firm manage these resources efficiently?

While this is a completely different way to think of how to organize a firm, it is a requirement to be successful in the future.

IN THE NEXT SECTION

Learn why some projects are more valuable than others and the common project mistakes that take a toll on a firm’s profit margins.
Profit Problems

THE CHALLENGE: THE ILLUSION OF SUCCESS

The phenomenon of chasing growth at the expense of margins is nowhere more visible than in the services industry. Winning a new piece of business, no matter how much money it contributes to the firm, may actually be detrimental to success. Never assume that growth is automatically coupled with profits—this is merely an illusion of success. As a result, four of the most common project management mistakes are those that eat away critical profit margins.
The Four Most Common Profit Mistakes

1. TAKING ON PROJECTS THAT ARE NOT PROFITABLE

In client-facing businesses, there can be so much focus on closing deals that the team doesn’t consider whether the new project actually helps the bottom line. This is especially true early in a firm’s life, when revenue is king. Projects, even those worth the same amount of money, can have very different outcomes for a business’ bottom line. For example, a services firm may reap great margins from their consulting services, but technical projects rarely make it out of the red. These two $100k projects result in very different financial outcomes. There comes a point when businesses need to start taking on work for profitability, not just revenue.

2. FAILING TO GIVE FINANCIAL CONTROL TO THE PROJECT TEAM

Most resources in a services organization only think about their contribution in terms of hours. They are assigned hours, they do the work, enter time, and at the end of the month the accounting team delivers a report on profitability. While it may be easy to plan a project with great margins, it’s very difficult to execute one. There is so much change that happens in project execution. While it’s possible to make decisions midstream that can maintain margins, when team members have no visibility into the financial impact of their work, they are flying blind. This disconnect between the day-to-day team and the project accounting is a huge missed opportunity waiting to be solved by effective resource management tools.
SIGNING ONTO ONE-OFF PROJECTS

Services organizations have recently started to cover multiple lanes of business. Not long ago, it was considered more strategic to focus on a core set of offerings. Today, competition amongst service organizations is so intense that firms are veering from these swim lanes. While expansion of services can be a good thing for a firm, it’s important that these are approached strategically and not as a “one-off” assignment. It’s very difficult to make money on new endeavors as there are steep learning curves and they usually require an investment.

AGREEING TO PROJECTS YOU CAN’T DELIVER ON

Every professional services organization, despite how broad of a skill set their individual resources may have, has a core competency. As a firm delivers great work, they build trust with their clients, and clients increase spending and project scopes. This is great, organic growth. However, firms often eagerly accept new projects without considering their ability to deliver on these projects. They don’t have the right people, or they don’t have enough resource capacity within their team to meet the deadlines. When a project does not meet client expectations, project managers spend a lot of time—and money—trying to make things right.
THE SOLUTION

Manage Each Project as a P&L

The question, then, is how can project managers take on work profitably?

Here’s the answer: Start managing each individual project as a P&L (profit and loss statement). P&Ls provide details about a project’s revenues, costs, and expenses, revealing the ability of each project to generate profit for the company. With this level of insight into every single project, the team can predict outcomes that will positively impact the business. For example, it becomes clear what projects regularly meet or exceed margin targets, as well as which ones are routinely unprofitable.

So, while it is common to get into the habit of saying yes to projects, it’s also important to remember that a firm’s clients and projects should evolve and mature. Having insight into the profitability of each piece of work delivered will provide clarity on the best opportunities for growth.

IN THE NEXT SECTION

Learn how to avoid the most common project process mistakes made in services and how to establish proper standard operating procedures.
Process Problems

THE CHALLENGE: FLYING BLIND

Establishing project processes is never an easy task and requires organization, efficiency, and time. No matter what stage of maturity a business is in, it inevitably feels like the processes are lagging behind the company. The following common project management mistakes are procedural, and completely avoidable.
The Three Most Common Process Mistakes

WRITING BAD SOWS

It is imperative for all project-based organizations to have a formal process for writing a statement of work (SOW). There is a common misconception that proposals are SOWs—they are not. SOWs are meant to be a lot more detailed and set expectations between a services firm and client. Too often this is either skipped altogether, or a project manager uses templates or cookie cutter documents for SOWs. If you aren’t customizing them in detail, it could be as bad as not having one.

SOWs are meant to be a lot more detailed and set expectations between a services firm and client.
FAILURE TO TRACK THE COST OF NEW BUSINESS

Often, the best and brightest at services organizations spend a lot of their time winning new business. Either new clients, or new projects with existing clients. Rarely is there project management software in place that manages this process. How much time, and therefore money, is being spent on generating new business? How does that compare to the piece of new business just won? How are the costs impacting the firm’s net margins?

BULK RESOURCE SCHEDULING

This is the idea that a resource manager distributes hours to the team, and individuals are responsible for tracking those hours in a system, due at the end of the month. For example, a resource is given 40 hours on a project, by the end of the month they probably don’t remember if they actually spent 40 hours on that task. Maybe they spent 30. Or, maybe they spent 50. But, it is likely that the resource will enter in 40 because that’s what they were assigned. There can be some serious margin leakage here. Not to mention, this may be a red flag that work is being consistently under-budgeted.
Services organizations, which are incredibly complex in nature, can only fly for so long before it becomes a necessity to establish standard operating processes. Without the right processes in place, regardless of the stage of business, it will hit a ceiling. That’s why experiencing growth is often the catalyst to get more organized.

So, where to start? The quickest solution is to establish a simple project process immediately—set aside one day to review the previous month’s closed work. Some businesses call these retrospectives and they provide a moment of reflection for the team to share the challenges and successes of the project as a whole.

Ask the following questions following each and every project:

- How much did it cost to win the business?
- Which pieces were profitable? Which were not?
- What were the delivery challenges?
- Is the client happy? Is the team? The project manager?

Repeat for the next three months—it will be enlightening. Teams often don’t leave enough time for reflection on their work. The real power in business is having this level of insight in real-time—but this is a good starting point. As an organization, begin to grow from here.
CONCLUSION

How to Succeed In Services

Running a services organization in today’s economy is both exciting and challenging at the same time. Many services leaders struggle to keep up with project management best practices, and client expectations are constantly shifting and becoming more complex by the day.

To successfully, and simultaneously, manage resources, profits, and processes at a service organization, leaders must stay away from the 10 most common mistakes in project management. It is more important now than ever to learn the most common challenges associated with billable work ... and how to avoid them.
About Mavenlink for Project Management

BUILT FOR SERVICES PROS, BY SERVICES PROS

The mission of Mavenlink is to reinvent the way professional and creative services organizations work with distributed teams, contractors, and clients. We provide enterprise-class Software as a Service (SaaS) for project management, resource capacity planning, collaboration, financial management, and more.

With one platform to manage the entire customer lifecycle from proposal through invoicing, Mavenlink project management software helps organizations like yours improve business outcomes and successfully manage and scale your resources, projects, and profits.

With Mavenlink resource management tools, you can gain immediate visibility into team utilization and productivity, and effectively and efficiently assign resources to particular projects. You will also know the impact of every project and resource on your bottom line, so you can make more informed hiring decisions when it comes to staffing for new projects with resource management software.


“We wanted to create a transparent workforce and incorporate project management into our business workflows for clear and consistent service delivery.

Mavenlink’s collaboration features automate our flow of data, centralize communication and help us consistently understand client satisfaction and project progress.”

CHRISTOPHER STONE
Head of Service Delivery, Donesafe

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