10 KEY FINANCIAL

METRICS TO MEASURE

YOUR PROJECT PERFORMANCE

bqe

Introduction

Projects (also known as engagements, jobs, or matters) are the core of your business. They're the way you spend your time and make your money. Naturally, then, ensuring their success should be one of your top priorities.

Key performance indicators (KPIs) will help with this. They're metrics that help you understand how your projects (or team, clients, and so on) are performing. Because each business has different goals and ways of working, your vital KPIs will vary from those of other firms.

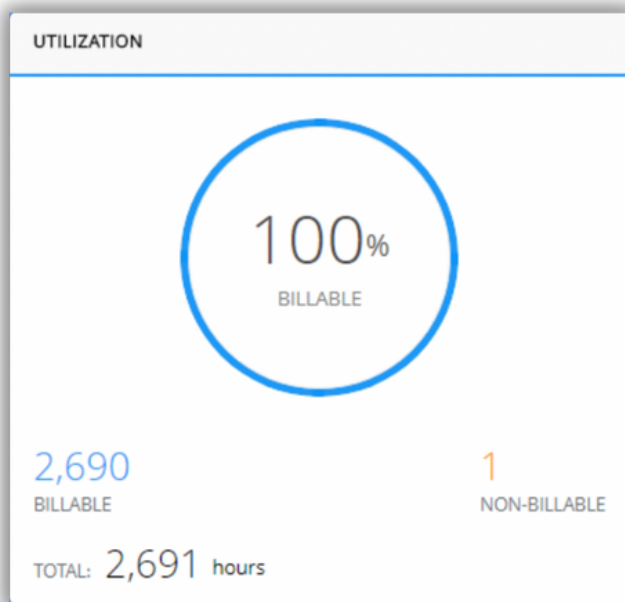 Still, quality KPIs share common traits. All effective KPIs are:
— Well-defined and quantifiable
— Communicated thoroughly to every employee
— Crucial measurements for tracking the progress of your goals
— Applicable to your business and industry

There are certain KPIs that you almost certainly should use to monitor and improve your success. With that, here are 10 project performance KPIs that will transform your business.
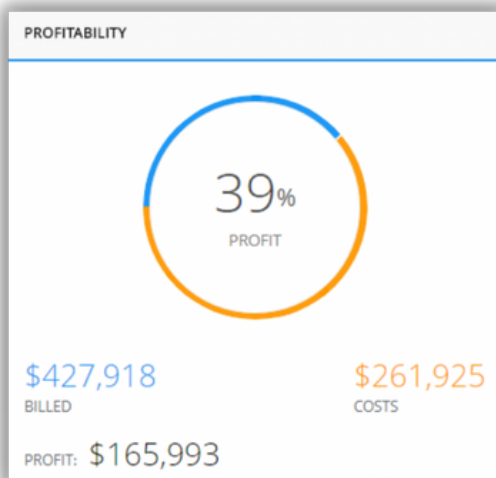
① **Utilization**

This is crucial if you're billing hourly or hourly-not-to-exceed, but it's very useful information even if you're working on a fixed fee project. You'll get a picture of your project's efficiency in terms of billable versus non-billable hours.

UTILIZATION

100%
BILLABLE

2,690
BILLABLE

1
NON-BILLABLE

TOTAL: 2,691 hours

2 Profitability

A vital metric! Profitability entails a comparison of your costs versus what's been billed and the resulting profit. Knowing your project's profitability while everything is still underway helps you make decisions to keep you on track.
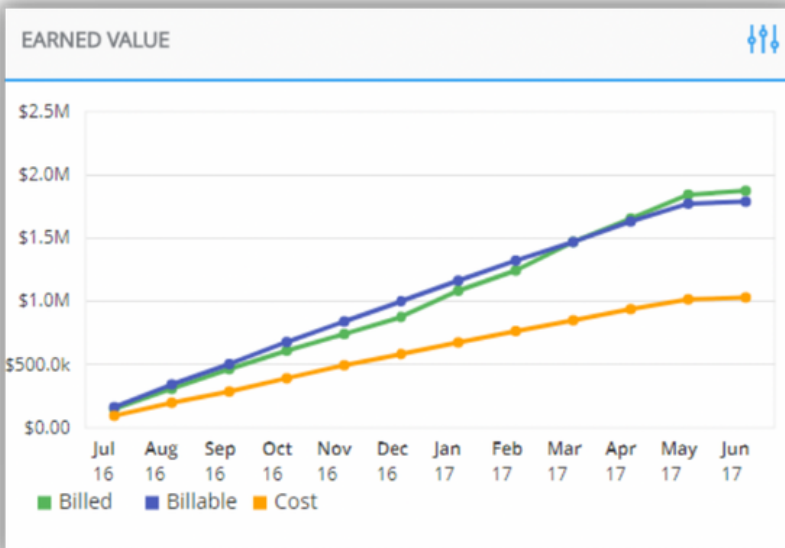
Furthermore, once everything is said and done, it's the ultimate gauge of what you should and shouldn't do next time. When you monitor profitability across all of your projects, you'll be able to see larger trends, like which types of projects your firm should pursue.

PROFITABILITY

39%
PROFIT

$427,918
BILLED

$261,925
COSTS

PROFIT: $165,993

3 Earned Value (EV)

Earned value tells you the project plan, actual work, and the value of completed work in order to help you determine whether or not a project is going well. It's a reliable projection of the future success of your project in terms of time and budget. You calculate it as the amount earned (actual work) divided by the contract amount.

4 Work in Progress (WIP)

This is the billable time and expenses that you've done but haven't invoiced yet. It's important to track as an asset on your balance sheet and as revenue on your income statement. It not only tells project managers how far along work is, but also acts as a booster if your firm needs a line of credit or loan.

PROJECT STATUS	Contract Amount ˅				
PROJECT	CONTRA...	BILLED	SPENT	WIP	OPEN A/R
16-01 Cadillac Main ...	0.00	128,30...	111,64...	3,580.11	4,767.28
16-02 Galaxy Ent.: - ...	125,00...	110,00...	93,750....	17,240.0	1,800.00
> 17-01 Archlight: - Arc...	950,00...	0.00	0.00	0.00	0.00
˅ 17-02 Scala Resd: - S...	240,00...	0.00	0.00	0.00	0.00
17-02 Scala Resd:0...	48,000....	198,63...	36,000....	1,847.50	0.00
17-02 Scala Resd:0...	72,000....	198,63...	54,000....	4,866.26	2,977.30

5 Write-Up/Down

This is the total write-up or write-down on your billable time entries. This is helpful because you might want to bill the client more or less than the actual billable amount in order to manage your project's budget. Knowing the overall write-up or write-down, moreover, is an illustration of a project manager's ability to manage the scope of the project.

6 Contract Analysis

Your contract analysis gives you additional insight into what's remaining in your contract. You get a comparison between the contracted amount, what's been spent, and what's remaining. This way, you'll understand ahead of time whether or not your project will exceed your contract amount.

CONTRACT ANALYSIS

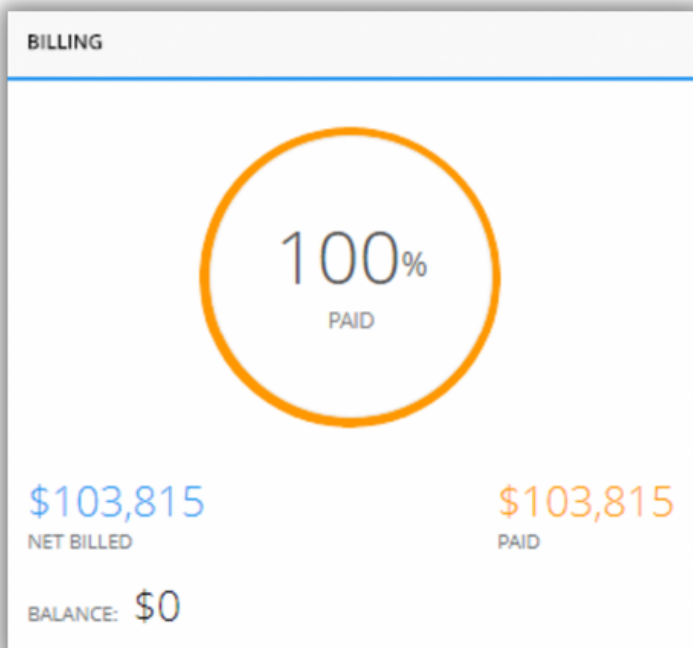| TYPE	LIMIT	USED		BALANCE
SERVICES	$600,000	$362,269		$237,731 • 40%
EXPENSES	$0	$0		$0 • 0%
TOTAL	$600,000	$362,269		$237,731 • 40 %

7 Budget Analysis

Similarly, your budget analysis is a breakdown for your services and expenses in terms of what's been used and what your limits are. You'll get a quick picture of whether your project is overbudget or approaching budget.

TYPE	LIMIT	USED			BALANCE
SERVICES	$209,825	$393,414	$209,825.00	-$183,589.25	($183,589) • -87 %
EXPENSES	$32,800	$73,121	$32,800.00	-$40,321.05	($40,321) • -123 %
TOTAL	$242,625	$466,535			($223,910) • -92%

8 Billing Breakdown

Understanding your billing breakdown helps you assess your client's performance. You should track the percentage and dollar value of your bills that have been paid—or not. Of course, you'd want to look at your AR aging to know how late the client payments are, but this gives you one view of your lingering payments.

BILLING

100%
PAID

$103,815
NET BILLED

$103,815
PAID

BALANCE: $0

9 Billability Analysis

Your billability analysis aids you in assessing the billability and productivity of a project. It gives you a breakdown of your services and expenses in terms of what's billable, billed, unbilled, and non-billable. When you compare billable versus billed, you get a picture of what's been earned and what's in your pipeline.

TYPE	LIMIT	USED			BALANCE
SERVICES	$209,825	$393,414	$209,825.00	-$183,589.25	($183,589) • -87 %
EXPENSES	$32,800	$73,121	$32,800.00	-$40,321.05	($40,321) • -123 %
TOTAL	$242,625	$466,535			($223,910) • -92%

10 Margins

Knowing your margins lets you analyze your profit or loss on a project. You need to track billable or billed services and expenses plus their profit/loss margins in order to judge if you're charging enough for what you're doing.

If calculating and tracking all these metrics on your own seems like a handful, you should look into using project accounting software. A platform like BQE CORE centralizes all of your business's project, billing, time and expense, and accounting information, and offers all of the KPIs listed here (and many more) in a real-time, easy-to-understand format. You can even access them on your phone!

MARGINS			Billable Margin ∨
TYPE	BILLABLE	COST	MARGIN
SERVICES	$251,079	$136,497	$114,581 • 46%
EXTRA SERVICES	$0	$0	$0 • 0%
TOTAL SERVICES	$251,079	$136,497	$114,581 • 46%
EXPENSES	$0	$0	$0 • 0%
EXTRA EXPENSES	$53,692	$52,988	$705 • 1%
TOTAL EXPENSES	$53,692	$52,988	$705 • 1%
TOTAL SERVICES & EXPENSES	$304,771	$189,485	$115,286 • 38%

Conclusion

Whichever way you choose to track these 10 KPIs, however, they'll give you an excellent handle on your projects. You'll foresee problems before they happen, so you can take the right actions to address them. You'll also get insights that will steer your firm's direction in terms of which projects to take, what your business's strong suits are, and even which clients to work with again. You'll see your efficiency and profits increase, and you and your team will be able to do the absolute best work possible.

BQE

If you're serious about improving efficiency and profitability, you should look to software that makes the process straightforward. BQE CORE is an integrated accounting and project management platform that's backed by a company with over 20 years of experience and more than 400,000 users.

BQE CORE streamlines your business processes while offering groundbreaking insights that grow your firm. You can access it from your desktop, laptop, or mobile device, and easily collaborate with your team and clients.

Running your business should be exciting. That's why we're here, and that's why we have BQE CORE.

TO LEARN MORE, CALL (866) 945-1595, OR VISIT:

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