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How to Ace Agency Operations

6 Levers for Productivity & Growth

Table of contents

Introduction

All agencies face similar questions

You don’t need us to tell you agency life can be challenging. High competition, narrow margins, and a mercurial market make predictable profits hard to achieve - and forecasting, budgeting, and prioritizing are perennial challenges.

A proper look at agency operations can be the difference between a healthy profit and costly loss. But many agencies struggle to prioritize efficiency in the revolving door of project wins and execution. This can lead to missed opportunities to realize revenue and fuel business growth.

Whether you’re an ambitious startup looking to scale, or an established enterprise with a large portfolio, all agencies face similar questions around efficiency and operations:

- How to scale operations without incurring unnecessary expenses?
- Which pricing models maximize revenue and profitability?
- How can we right-size resources to future demand?
- What can we change to optimize our efficiency?
- What’s the proper structure for our future goals?

To answer these questions - and more - we’ve spoken to agency operations experts from around the globe.

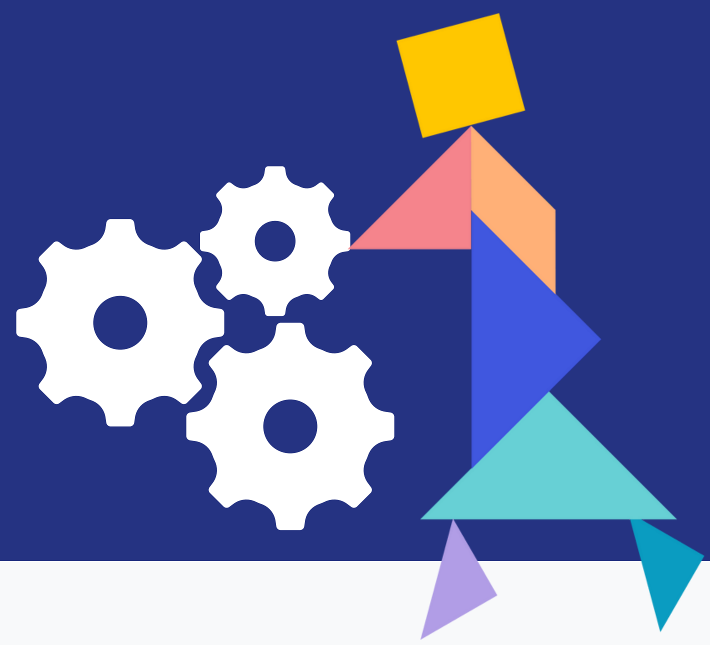
They've volunteered actionable insights from the agency frontline - from the importance of accelerated onboarding to the power of people-centric approaches, and from async working to Agile methodology.

We've divided their tips into six essential levers for better agency operations. Together they form a holistic roadmap to higher productivity, profitability, and growth.

- Processes
- People
- Projects
- Profitability
- Planning
- Technology

Chapter 1

Processes



Business transformation is achieved through the golden triangle of people, processes, and technology - the PPT framework. People do the work, processes make it repeatable, and technology makes those processes more efficient. So it's essential that your processes are fit-for-purpose and operating optimally.

Understand, refine, and redesign your current processes

Many agencies struggle with processes that have evolved over time rather than being designed around efficiency and best practices. So the first step is to look objectively at your processes with an audit.

An operational efficiency audit is a process of evaluating the internal procedures you use to deliver your services and manage your agency. You might benefit from an audit if you're noticing the following telltale signs of process inefficiency.

- Workflows that feel more like go-slows
- Processes that are cumbersome and clunky
- Project bottlenecks that are depressingly predictable
- Clients complaining about lead times and delays
- Staff being overworked but unproductive
- Competitors delivering faster, better work

To conduct an audit, our experts agree it's essential to experience operational delivery for themselves, as Ella Steinmetz-Simon, COO at 14 Minds, explains.

'It's very easy to look at work that's being done and make assumptions that we're not moving fast enough, not following processes, etc. Getting down into the mud, you can see what's really going on and why operations are the way they are. It gives you insight into all the little technicalities that happen during the day, during the week, during the month. Most of the time in operations, we plan for a nearly perfect scenario, but the reality is that it doesn't happen. Unless you get your boots on the ground, you'll leave things up to chance.'

Ella Steinmetz-Simon

COO, 14 Minds

The aim is to identify process inefficiencies such as

- Overcomplicated processes that can be streamlined
- Processes that are out-of-date and unfit-for-purpose
- Opportunities to introduce new tools or automation
- Process bottlenecks (including in-demand resources/skillsets)
- Areas where people would benefit from additional training
- Cross-departmental barriers to productivity

Each of these issues and inefficiencies reveals an opportunity to make improvements, and to deliver faster services at lower cost.

By combining this on-the-ground perspective, with their bigger-picture understanding of strategic direction, operations directors are better placed to identify opportunities for efficiency gains. They're the link between processes that need improvement, people who need support, and the decision-makers who can unlock solutions.

Stephanie Dawoud, Operations Lead at LEVELS, agrees:

'It's important to understand the day-to-day work at a detailed level in order to recognize what chains of processes and decisions need to be iterated to create the most value. [Agency operation professionals] need to challenge the status quo, be aware of why we do certain things and remain curious and open to trying new ways of working.'

Standardize and document processes

Documenting your processes may seem like a ‘someday’ task that delivers little value to your agency. With paying clients clamoring for your time, writing a manual on project management processes isn’t a priority. But standardizing and documenting processes actually saves time, increases efficiency, and gifts time back to your team.

Dr Laura Mellor, COO at AMZ Pathfinder, defends Standard Operating Procedures by saying:

‘The dreaded SOPs are actually super important. In most companies, the need for a standardized quality of work becomes apparent very early on, but the documentation of it lags behind. Writing down your processes and having a schedule for updating them is a simple fix. Once organized, you have a manual on how you as a company do a certain task. This stops the same questions from being asked time and time again. Already, you’re streamlining your company and saving precious time for your team.’

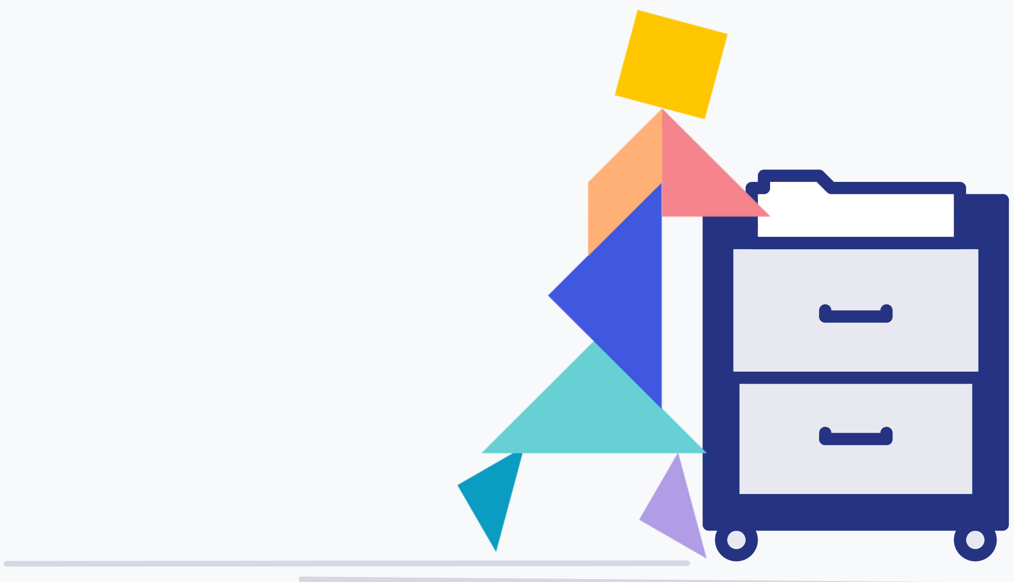
For creative agencies, having standardized processes may feel anathema to inventiveness and agility - but SOPs can improve both. SOPs provide guardrails within which creativity has space and time to flourish because your team isn’t wasting time working out how to do the basics.

‘*Once employees start improvising on the processes, productivity will decrease,*’ says **Nate Moeller, COO at The Penguin Group**. ‘*Be sure to keep updating these processes and facilitate the communication to ensure that all parties involved are on the same page.*’

SOPs also provide the agility to move staff between project teams as needs require, because you know Team A and Team B do things the same way - there's no disruptive learning curve. And they improve predictability and forecasting, which protects your profit margin and keeps clients happy. Knowing what needs to be done and how to do it - as well as how long it's likely to take and what it will cost - are the foundations for pricing jobs and delivery results profitably.

Andrew Dipper, Marketing Consultant at Engagement Factory, a Blend 360 company, highlights how documentation accelerates staff through the onboarding process and into high performance - another key lever to improve efficiency.

'If you're an agency that relies on people new to the job market - or is a high-growth organization that recruits at scale - documentation is essential for knowledge sharing, cascading best practices, and onboarding. Documenting processes - so people can understand how your agency does things - reduces the time it takes from hiring someone to that person becoming an efficient top performer. It also reduces the time that existing staff need to step away from their work to train new starters. All of which contribute to higher efficiency. Don't just think in terms of wordy manuals either. You could create an online tutorial hub with training videos too...'



Increase productivity with process automation

One of the major barriers to efficient agency operations is unnecessary manual processes. In the new age of automation technology, there is no excuse for these time-consuming, labor-intensive activities.

Ajay Agrawal, professor of entrepreneurship at the University of Toronto, says digitization and automation will top the agenda for ambitious businesses this year. Speaking to McKinsey for their 2022 technology trend panel, he says 'Traditional companies will continue their investments in digitization. Technologically advanced companies will invest in automation.'

Manual processes sap staff time and morale, sucking them into tedious tasks that don't really need human input to execute. As a result, you waste the time and talents of your team members, performing tasks over hours or days that a software program could complete in seconds.

Automating processes improves operational efficiency by

- Reducing the time your staff spends on unnecessary processes - creating more capacity without additional cost
- Reducing the time it takes to complete certain tasks - speeding up workflows, decision-making, and time-to-market
- Freeing up resources for activities that DO need their attention - improving quality and customer outcomes

To make sure software is aligned to strategic objectives - and appropriately budgeted for - COOs should work closely with CIOs to communicate the operational benefits of investments in specific technologies for automation.

Be alert to... productivity drains

(Psst... we're looking at you, mammoth meetings!)

If your agency seems to be operating at full capacity, be alert to productivity drains. You may have more capacity than you think. **That's the advice of Jacob Brain, Director of Operations at New North digital marketing agency.**

"There's a lot of companies that have significant wasted time in their organization. So it's helpful to view a lot of things in an agency through a financial lens. Say you have four people in a meeting, let's say they're billable resources that have a $150 hourly rate, that's a $600 internal meeting. So we need to be thinking, is that meeting worth $600? And if the answer's no, well that's a couple of hours of opportunity cost we just spent. If you measure that over a week, a month, a quarter, oftentimes a company will have the capacity for 20% more than they have in sales right now. And yet everyone seems so crazy busy. Well it's because they're not busy with the right things. Focusing on the financials is really helpful because you can actually create more profitability - with a less stressed out, less busy team - if you're just a little bit more mindful about how you spend time efficiently.'

Ella Steinmetz-Simon, COO at 14 Minds, is another efficiency advocate who's cut meetings down to size.

'We’re cutting down on meetings. If I need to share information with people I can record a Loom video or send a voice note. If we do have meetings, we make sure there are specific goals we want to achieve and this is the only way to achieve them. We put a time limit on the meeting and we schedule other times for socializing, so we can stay focused on the tasks at hand.’

Ella Steinmetz-Simon

COO, 14 Minds

Chapter 2

People

In an agency environment, your people are usually your biggest asset and expense. Knowing how to optimize your human resources is perhaps the most important lever for operational efficiency. But a people-centric approach to recruitment, retention, and resource management delivers dividends that go beyond the bottom line.

Recruit and retain to minimize operational disruption

Staff churn is expensive and disruptive. Research from Oxford Economics found the average cost of turnover per employee (earning £25,000 a year or more) is £30,614. That includes the cost of advertising and recruitment, onboarding and training, and 28 weeks of lost productivity.

Then there’s the extra time it takes someone to train up their new colleague and the additional workload other team members need to take on in the interim. This can push a team towards overcapacity, low morale, and more resignations. Not to mention the risk of missed deadlines and opportunities.

To protect your agency against the cost and risk of high staff turnover, it’s imperative to:

- Plan recruitment to meet future capacity in a timely manner
- Aim to retain staff once recruited and promote from within
- Build a strong pipeline of candidates whom you can mobilize quickly

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‘Recruiting and talent acquisition needs to be viewed from a marketing standpoint in an agency,’ says Jacob Brain, Director of Operations at New North.

‘A lot of the time, agencies are passive with HR. Thinking “I'll hire when I absolutely need to”. But when you only start hiring when you absolutely need to, you're then two or three months away from making that happen. You need to be constantly building the pipeline. If you’re forecasting capacity correctly, you can see in advance ‘Uh-oh, this is going to be a crunch point’ and put measures in place to alleviate that pressure. It's so easy to get caught off-guard by something you could have predicted. You need to be working with sales, with HR, with your delivery team to look at the data so you can recruit in a timely way.’

Plan your recruitment in advance (capacity planning)

There are three strategies for capacity planning and recruitment - lead, lag, and match. You should explore which strategy works best for your organization and its strategic objectives - and your appetite for different types of risk.

Then you need to work with your HR department to understand what data you need to share in order to recruit the right people, at the right time, on the right contract. This is key to operational efficiency and profitability. After all, recruit too late and you risk delaying a project, assigning inappropriate resources, overloading the delivery team, or hiring temporary resource at a higher cost than you need to.

Retaining staff and promoting from within

External hires typically demand 18-20% more than internal hires and they're less familiar with your work, which means a longer learning curve and loss of productivity. One way to counter these financial and operational penalties is to promote from within.

Succession planning lets you identify individuals who could take over from more senior team members and create a bespoke training plan to upskill them - often at a fraction of a cost of recruiting more experienced external candidates.

Supporting professional development towards personal goals is just one way to encourage staff retention. Flexible working policies, trust and respect, and a manageable workload all contribute too.

Building a pipeline of candidates

Another way to reduce the cost and disruption of staff turnover is to build a pipeline of 'warm' candidates who may be quicker to onboard. There are various ways to do this:

- Building relationships and employer brand with colleges and universities
- Offering existing staff a referral bonus if they recommend someone who is successfully recruited
- Maintaining contact with previous promising candidates

Jacob Brain, Director of Operations at New North, explains the benefits of this approach.

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‘We have a list of candidates for different positions where we maybe went with someone else. But if I talk to three people who I think could have done the job, and I had to go with one, I'll keep the information of the others. And then if I'm hiring for that role again, I have a go-to list that can speed that up dramatically. In the past, that's led to a two-and-a-half-week turnaround for new roles. So - instead of recruitment potentially delaying projects and opportunities for months, you can leverage that pipeline and there’s hardly a delay at all.’

Jacob Brain

Director of Operations, New North

Optimize your resources for maximum ROI

Profitability and productivity are perennial priorities for agencies. Research from HubStaff discovered less than half (43%) of agencies consider their teams to be productive (where productivity is defined as 'work is done on time and within budget, and team members' time is utilized well). This is an issue.

As we've already established, your team of trusty knowledge workers are your best resource and highest costs. Every hour they're at work, they're burning through your budget, so you need to make sure they're earning more than they cost.

Resource optimization is the process of allocating and managing resources in the most efficient way possible. The purpose of resource optimization is to maximize productivity by reducing the direct costs of labor. Resource optimization techniques can also help you improve performance and meet customer requirements better.

Resource optimization includes a lot of different techniques.

- **Assigning the right people to the right projects at the right time.** This ensures you have the skills you need to deliver a project on time and to customer satisfaction. But you avoid overspending on staff because you only use the exact people (at the exact level of skill and seniority) you need. And you make sure you're using them to capacity rather than them sitting on the bench waiting for meaningful work. For example, using a senior software engineer when a more junior staff member would have sufficed. In this scenario, you may be paying $100 per hour instead of the $50 that the task required.
- **Avoiding underutilization.** Underutilization is when your resources aren't being used in a way that maximizes your ROI. They're burning more than they're earning. This isn't because they're lazy or unmotivated. It's likely to be because the people allocating work aren't aware of their full portfolio of skills. Or because there is no longer sufficient demand for their skill set.

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So they're assigned to low-value work - perhaps excess admin - instead of billable work that creates revenue for your business. This can lead to boredom and low staff morale.

- **Avoiding overutilization.** The flip side of underutilization is overutilization. This is when you are using staff too much. This can cause several problems for your project, processes, and profit. Overutilization can lead to burnout and people rushing their deliverables, which isn't great for the individual or the client. Plus when one individual is in high demand they become a bottleneck to other projects. This means whole programs can be delayed by their availability - or force the use of the wrong resource for the task at hand, which impacts deliverables and/or costs.

As you can see, resource optimization is a key lever in operational efficiency - improving margins, project performance, budget and quality control, staff satisfaction and more.

To optimize your resources, you need mechanisms to understand:

- The people and skills you have at your disposal
- How much they cost the business when used
- Their current level of utilization
- Their future availability
- Suitable alternatives to preferred individuals

Improve cross-team collaboration

As your organization grows, it gets harder to collaborate and share information. Perhaps you started as a small team sharing information about operations, finance, or recruitment by shouting across the office or starting a huddle in Slack. But now you've grown and there are actual teams for each of those business functions, and they each have their own systems and processes.

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Your business depends on those teams working well together - sharing information in a timely way, working together for the greater good - but that doesn’t always happen. This can undermine operational efficiency in lots of ways.

- Relying on information or input from other teams can cause bottlenecks and delays
- Misalignment between team priorities can cause frustration and friction
- Isolated initiatives - unwittingly being duplicated by different teams - waste time
- Siloed data makes it hard to get cross-functional insights for strong decision-making

‘Operations should be the balance in the middle,’ says Jacob Brain, Director of Operations at New North. ‘Making sure that the company's winning overall, not just individual departments.’

Runn's very own CEO, Tim Copeland, explains how structural silos can undermine efficiency, delivery, and reputation.

‘A common problem with business planning is that operational systems are vertical and siloed. There’s no visibility into connected and contingent factors that affect your ability to deliver. Sales colleagues might commit to a project without fully understanding the impact on the delivery team. Or a project manager might plan around an individual’s capacity without knowing they’re coming to the end of their contract. This can lead to operational inefficiency - and risk the cardinal sin of overpromising and under-delivering to clients.’

As improving cross-team collaboration improves operational efficiency, think about ways to:

- Create a culture of working towards organizational - rather than individual team goals
- Review team structures to check whether they're still fit-for-purpose or causing friction
- Get everyone working in a single system instead of separate silos
- Standardize and consolidate data into a single source of truth for the whole organization

Be alert to... new ways of working

More and more organizations are experimenting with new working models - from fully remote and async teams, to hybrid approaches that balance office work and working from home. These new models can be highly attractive to employees seeking better work-life balance and help create a winning employer brand.

At Runn - where we have embraced async working - we think they drive up quality too. Here's what our experts say about empowering people to be productive and creative as they find their feet.

Felipe Skroski, Cofounder at Runn, says:

'Async working starts from the assumption that happier people are more productive, and organizations that prioritize their peoples' needs will benefit as a business. At Runn we have teammates in different time zones all over the world. They all work their preferred hours to suit their personal needs. And are all empowered to contribute equally and collaborate effectively. This includes keeping in-person meetings to a minimum, replacing them with other means of communication, using on-demand Loom videos to deliver training, using cloud-based collaboration tools such as Google Docs to collate ideas, and planning ahead and setting realistic deadlines for work.'

Andrew Dipper, Marketing Consultant at Engagement Factory, has advice for agencies looking to make hybrid work for them.

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‘To make the most of hybrid working, agencies need to consider when and why people go into the office. Going into the office is perfect for creative, collaborative activities - when you need to bring groups together to brainstorm ideas, for example. It’s also better for those personal, private conversations you might need to have, like 1:1's. Whereas home-working is a great time to do deep work, distraction-free. Making those distinctions clear - so people have the right environment to do their best work - can keep your hybrid team feeling engaged, connected, supported, and productive.’

Chapter 3

Projects

Whether you’re an Agile, waterfall, or hybrid agency, you need a strong project management methodology - and actionable data - if you want to deliver client work on time and on budget. From forecasting the schedule and budget, to assigning resources, managing the team, and monitoring progress, your PMs can make the difference between profit and loss.

Schedule realistically

We’ve already discussed the financial and operational risks of burnout and boredom - so how do you prevent them? By keeping resources at an optimal utilization rate of 80%. This ensures they’re profitably occupied, making money for the agency, but have enough latency to accommodate unexpected demands on their time. No-one can work productively 100% of the time and it’s unrealistic to expect it.

‘Do not allow employees to have more than 80% of their day full of scheduled tasks, the other 20% fill in automatically. If an employee’s schedule is at 100% capacity, then you can assume things are falling through the cracks,’ says Nate Moeller, COO at The Penguin Group.

As Andrew Dipper, Marketing Consultant at Engagement Factory, observes, the 80% rule isn’t just about keeping your people productive on a day-to-day basis. It’s also about making space for activities that contribute to longer-term agency goals.

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'You need to make sure you're not operating at full capacity. If you are, there's no headroom. 80% operational capacity is ideal because it leaves space for things like learning, innovative thinking, development, and training - as well as preventing people from becoming stressed, burnout, or rushing work.'

To observe and manage resource utilization, it's helpful for project managers to have access to appropriate software. Resource scheduling software calculates utilization automatically - for individuals and groups - based on timesheets, and presents the information in at-a-glance charts that make it easier to take decisive action.

Improve predictability

Sadly we're not talking about market predictability here. That's a magic wand all agencies would love to wave. We know only too well that client priorities and budgets can change, leaving your agency to pick up the pieces. However, you can improve predictability internally - and that will deliver significant benefits.

If you're familiar with Agile methodology, you'll know that it seeks to iterate performance over a series of project sprints. Not just product performance but the performance of the project team as well. Continual improvement of team performance isn't a new concept - the Japanese call it Kaizen and it is popular around the world.

Kaizen can be applied to agency operations through the use of data to improve project predictability. Predictability is key to delivery, profitability, and positive client outcomes. At the start of a project, your project manager - or perhaps your sales team - will estimate how long a project will take, which resources are required, and what the cost will be. From here, it's possible to work out what to charge the client in order to make a profit. But Hubstaff's State of Agencies report found 25% of agencies struggle with estimating hours and budgets, and 23% with going over budget.

Having access to past project data makes pricing easier and more accurate - particularly data that compares projected and actual schedule, projected and actual budget, and shows where projects deviated from the plan.

By reflecting on this data, PMs can predict future project requirements with greater certainty. This improves your commitment confidence and capacity planning, knowing what your team can deliver in a given period. Higher delivery predictability also reduces the risk of overrunning schedules and budgets.

Improved forecasting also ensures each task gets the time it deserves to be delivered well - no rushed work to meet unrealistic expectations - which drives up product quality. But many agencies don't see the value in project retrospectives and past data. **It's a big mistake, says Jacob Brain.**

'You need a feedback loop. Sales might keep unknowingly pushing through unprofitable projects unless they get feedback. It's easy - in the agency world - to just write things off and move to the next project. But that perpetuates unprofitable and unproductive practices. Even in agencies running Agile methodology, retrospectives are rushed through quickly because they seem like a low-value thing - but they're not at all. To be effective, it's really important to get the data right. Otherwise, you're doing a retrospective based on how you feel about something and that doesn't matter very much. What matters are questions like 'Was it profitable? Was the creative that came out of it something we are proud of?'

Brain recommends agencies to seek a balance of quantitative and qualitative feedback to see a holistic picture of their performance against targets.

‘To be effective, it’s really important to get the data right. Otherwise, you're doing a retrospective based on how you feel about something and that doesn’t matter very much. What matters are questions like ‘Was it profitable? Was the creative that came out of it really high-quality?’ Some of that is quantitative data - like how many hours were spent on this and how expensive was overhead and all the resources used for it? But then the other piece is subjective - was the work any good? At New North, every piece of work that we do here is measured - by internal operational measurements but also by the client. What kind of results did it actually create? With all of that data in place, retrospectives add genuine value to the process and help improve forecasting, resourcing, and client outcomes in future projects.’

Jacob Brain

Director of Operations, New North

Track time

In a service-based business, time is literally money, so it is important to track how time is being spent. Research shows that workers spend 2.8 hours a day on productive tasks and only 27% of their time working on tasks directly related to their skills.

Time tracking is one way to monitor and improve time management - and make sure your resources are being used efficiently. This doesn't mean forcing your staff into 100% productivity or billable hours. That isn't realistic. It simply means focusing your staff on work where they and their skills add the most value to your business.

For example, imagine you run a graphic design agency. You discover your lead designer is actually spending 3 hours a day dealing with emails about the approval process - emailing PDF proofs back and forth between different clients. This points to a solution to improve your operational efficiency - either by delegating that task to an administrator or introducing approval automation software. That way, your designer gets back to using the skills you actually hired them - and pay them - for.

Make it clear that time tracking isn't about checking up on your colleagues. It's about building an accurate picture of how long tasks take, to ensure accurate billing, improve future forecasts, and help staff do more of the things they love. One way to soften the introduction of time tracking software is to ask senior managers to take the lead, tracking their time transparently and making it visible to all colleagues.

Don't let time tracking become a productivity sink in itself. Look for software that can automate the process or provide prompts throughout the day to capture information in real time.

Introduce project controls

No project ever goes to plan - even with expert PMs at the helm. Project controls let you manage risks that emerge from the unexpected - like a team member needing to take sick leave or being moved to another project - to manage costs and customer outcomes.

Project controls include - but aren't limited to

- Project scope statement
- Work breakdown structure
- Risk management plans
- Change management processes

By providing a framework for measuring, monitoring, and correcting project performance, project controls can significantly improve operational efficiency - by preventing projects from going off course and costing you additional time and money.

In project-based businesses, it can be especially useful to standardize processes around project prioritization and change management.

Hubstaff research found 27% of agencies cited prioritizing work as their biggest challenge. Whilst research from Agile Sherpas, in partnership with Adobe and IBM, found unplanned work was a challenge for 33% of respondents - those projects that appear from nowhere and are needed yesterday, often with little explanation about why they take priority. Having an agreed - and observed - process around project prioritization reduces the disruption of ad hoc or pet projects.

Use the right tools

Project management tools can help your PMs be more proactive. A common complaint in the agency community is the feeling of ‘being on the back foot’ and a constant state of reactivity. Project management software lets project managers plan projects faster, assign and experiment with different combinations of resources, and see at–a–glance reports into projected vs actual money and time spent.

This lets them monitor project progress easily and take corrective action if a project starts to veer off course - aiming to protect client outcomes and your profit margins.

Consider resource allocation as an example. You have all of your resources allocated to their relevant projects. The right people are in the right place at the right time. Life is in balance. But then a project schedule or scope changes, or loses a critical resource to another project.

With resource management software, your project manager can quickly adjust the parameters of the project to see what’s still achievable, whether they need to request additional resources, etc. This is a process that - if performed manually using legacy tools like spreadsheets - could take hours to complete. But with modern fit-for-purpose tools, it is the work of a few minutes.

This delivers two-fold benefits to your agency. You can make changes confidently and quickly - minimizing any disruption to projects - and your PM can get back to tasks where their uniquely human ingenuity and input add value to the business - like strategic planning, innovation, and stakeholder management.

Be alert to... peaks and troughs

Agency workload can be unpredictable. Projects can appear out of the ether, causing crisis and chaos. Or they can disappear at a whim, leaving your team twiddling their thumbs and waiting for work. This risks staff getting burnt out... or burning through your profits.

One way to deal with peaks and troughs in workload - and maintain optimal resource utilization - is to apply resource leveling techniques. This is where project managers change the parameters - or resourcing - of projects to even out workload.

For example, if you are experiencing a peak in workload and don't have enough resources to keep up, you could extend the project deadline - or amend the critical path - to give resources more time to work on it. If you're experiencing a lull in workload, you may reallocate resources to another project that's in need of extra hands.

This approach allows PMs to optimize resources even when work is unpredictable. However, it requires tools - and cross-project transparency - to adjust projects and resources appropriately.

Chapter 4

Profitability

Operational efficiency improvements should strengthen your agency's financial performance over time. Reducing the cost of delivering high-quality services contributes to higher profitability, market competitiveness, and customer satisfaction. As such, operational professionals should be involved in decisions around project choices and pricing models.

Take your place at the table

Operational efficiency is a ratio that measures input (e.g. time and resources) with output (revenue). So whilst people might think your role is just concerned with delivering projects efficiently, financial considerations are actually an equally important part of your role.

As Director of Operations or Operations Manager in an agency, you must take your place at the table when it comes to pricing and project choices. In fact, you may be uniquely placed to influence profitability thanks to your dual remit, as Jacob Brain, Director of Operations at New North, explains.

'The profitability of a project is heavily determined by the pricing used in the front end. So if pricing was rushed or the pricing model you use doesn't work for your company - because the sales team's working to push things through - you can have a bunch of unprofitable projects and no one's winning. Sales don't necessarily see the results of that, operationally-speaking.

And the execution team might not really be focused on that either. So operations should be the balance in the middle - making sure that the company's winning overall, not just individual departments.'

Balance long- and short-term projects

Short-term projects let you realize revenue faster. But longer-term projects can provide stability and predictability. Aiming for a balance of both can release cashflow to support short-term needs and revenue for long-term growth.

Long-term projects can be more likely to overrun, so make sure your project management processes are tight. Use estimating techniques to forecast a realistic budget and schedule. And monitor progress regularly so you can course correct if things start to slip.

In order to balance both types of projects at your agency, you need to be able to allocate resources in the short and long term. Plus the ability to easily reallocate resources in the event of changes to longer-running projects.

Choose pricing models to reduce financial risk

Time-and-materials vs fixed cost? There are pros and cons to each. Fixed cost is an easier sell to clients because they know what to budget - but the agency takes on financial risk if the schedule slips and costs increase. Time-and-materials charges for the actual time spent on a project so is more likely to cover your costs, but it can be harder to get clients to agree to this approach.

Fixed price model
The fixed price model works best for projects with very clear deliverables - especially if your agency has worked on similar projects before and can predict the schedule and budget with a high level of accuracy.

If this is your preferred approach, you need to pin down the exact scope of work early, to ensure an accurate quote for your client. This can be challenging as clients sometimes request quotes before knowing exactly what they want! You also need to ensure your project manager has access to data from past projects to enable them to accurately quote for the work - such as how long previous projects have taken, and how many resources have been required.

You should also ensure you have a change request process in place. This is a standardized way to record, assess, and approve/reject changes to a project. It protects projects against scope creep. Additionally, make sure to review your pricing and adjust your hourly rates for inflation and other changes on a yearly basis. Too many agencies never adjust their rates, but staffing and other costs go up, resulting in smaller margins.

Time-and-materials model

The time-and-materials model works well for projects that are less predictable. If the exact scope isn't pinned down or if your agency hasn't completed this type of project before. SPI research shows that time and materials-based projects typically produce the best margins as long as bill rates are set appropriately. The survey found that IT consultancies produced the best time and materials margins at 38.7%, compared to 36.9% achieved with fixed price models.

By charging for the time you actually spend on the project, your team are empowered to give the work the time it demands. If it turns out to be a bigger job than expected, there is no artificial pressure to get things done 'quick' rather than 'well' - and there's reduced risk of burning out your resources with unrealistic expectations. This can deliver elevated outcomes for clients.

It can also curb clients' urge to change the scope or spec of a project, as it falls to them to absorb that cost rather than you. And whilst time-and-materials can be an unknown quantity for your client, there's always the chance that it will cost them less than expected...

If you decide to use this pricing method, you can still use past data from similar projects to help you provide a ballpark estimate for clients, easing the insecurity your client might feel around pricing. Using resource management software can also help you find the best-fit resources for the project - in terms of skills, seniority and cost - allowing you to use the most cost-effective resources available. This may be a saving you choose to pass on to your client or use to protect your profit margin.

Retainer model
The retainer model is where a client retains your agency for an agreed amount of work for a fixed monthly fee. It provides benefits to clients and the agency. The client knows they have ongoing access to your expertise and that you will build an in-depth understanding of their objectives. While the agency has predictable revenue and volume of work.

This allows you to right-size your team so that you have the appropriate bandwidth for your work, without under- or over utilizing your resources. This optimizes your resource ROI and keeps them working at an optimal rate for productivity and creativity.

The retainer model is beneficial because it creates more predictable cashflow, whilst eliminating the risk of scope creep and absorbing spiraling costs. It also relieves some of the time, energy, and money spent on client acquisition.

Avoid price-based competition

In a challenging market, it’s understandable that an agency may consider undercutting the competition to win contracts. But the race to the bottom on price is potentially very damaging. It reduces your revenue overall, makes your profit margins precarious, and risks reducing quality to keep within budget.

Price-based competition may energize your agency to think creatively around cost efficiency. But could equally force you into a negative cost-cutting mindset.

Both cost-efficiency and cost-cutting are concerned with reducing the cost of delivering services. However, cost-efficiency looks to achieve this without negatively impacting customer satisfaction. Whilst cost-cutting seeks to reduce overheads even if it impacts on quality.

Rather than compete on price, many successful agencies aim to differentiate themselves by the quality of their service or serving a specific niche. This allows them to charge a higher price that reflects the added value this represents to the client. This can protect their profit margins and allow them to dedicate more time and expertise to client needs - creating a virtuous circle that is the polar opposite of cost-cutting’s downward spiral.

As an operations professional, it's important that you champion a differentiated market position and operational efficiency as the basis of profitability - and resist pressure to cut costs at any expense.

Be alert to... skills and seniority

Using the right people for the right project can protect your profit margins - letting you deliver great client outcomes at a lower cost. To be able to do this, your project managers need access to a centralized resource pool that gives them essential information on each resource - namely

- Skills and level
- Availability
- Billable rate
- Utilization

Using this information, your PM can assemble a cost-effective dream team - one that balances the correct competencies and cost to protect your profit margins.

Chapter 5

Planning

Cascading strategy down to delivery teams, communicating operational challenges back up to senior managers. Agency operations professionals walk a sometimes fine line between strategy and tactics. It’s very easy to get pulled more to one side than the other. Here’s what our experts say about balancing strategic planning with day-to-day delivery.

Make space for big-picture planning

In agencies, operational efficiency is a moving target. So much can change - from strategic objectives and digital disruption, to client U-turns and market volatility - that operations are often in a state of flux. It's very easy to get embroiled in the here-and-now, looking to make immediate improvements to present problems. But it’s essential to maintain a long-term view as well.

Nate Moeller, COO at The Penguin Group, articulates the challenge and how to handle it.

‘As a successful COO, focus on making improvements to the company’s processes in ways that anticipate operational hiccups and changes in personnel. But, most importantly, growth. Do not let the day-to-day fires become your daily focus. Train your staff to resolve those issues on their own. Make sure you have enough time to do research, brainstorm, and plan.

Many COOs make the mistake of filling their day with work and do not leave any time for these tasks which are integral to the growth of the company and its ability to stay agile and relevant.'

Also employing a fiery analogy is Jacob Brain, who encourages leaders to step back from impulsive actions when faced with demanding day-to-day situations and 'walk slowly through the fire'.

'It's easy to get caught up in pressure - to let the weight of a situation overwhelm us. It's easy to react by moving too quickly, leaving disaster behind us. Leaders tend to shift to lower skillset activities during trying times – we do what we are comfortable doing which isn't always what really needs doing. Whether in a high-growth organization or one that desperately needs a turnaround, it's hard to keep everything under control. It's hard to keep focused on the great over the good. But leaders aren't called to do what's easy...'

Operational planning in an agency context might be concerned with

- What processes need to change in order to support a major strategic initiative
- How to manage mergers and acquisitions effectively without losing momentum
- Who you need to deliver pipeline projects with maximum efficiency
- What software you can implement to support growth and revenue goals

These goals should be aligned to your agency's overarching strategic direction and looking to support longer term roadmaps, as Ella Steinmetz-Simon, COO at 14Minds, explains.

‘When you're planning and figuring stuff out, think ahead. Look at your one-year, five-year, 10-year goals, and make sure that what you're doing will align with those goals. Try not to think for right now. If what you're planning for right now, isn't going to work in a year’s time, don't invest your time in setting it up.’

Ella Steinmetz-Simon

COO, 14 Minds

Translate vision into achievable goals

Although it may be necessary, change doesn’t always feel manageable on the ground. So our agency experts have highlighted the importance of breaking down the big picture into smaller goals, and resourcing staff appropriately to achieve them.

‘It's really important to put yourself in your team's shoes,’ says Ella Steinmetz-Simon. ‘CEOs generally tend to think big picture but these big goals can seem really unattainable to delivery teams - and an unwelcome disruption to their busy day-to-day work. So our role is breaking those goals down to help people feel empowered to do what they need to do. When you're listing out these goals, ask “What do you need from me to make this attainable? What can I do to help you?” Make sure you offer resources to them.’

According to Ella, employees need goals and Key Performance Indicators to

- Help them translate strategic initiatives into realistic work plans
- Understand how their work ladders up to the company’s overall direction of travel
- Recognize and celebrate their achievements and contribution

She recommends that managers

- Break down big picture objectives into smaller, achievable goals
- Have regular 1:1 catch-ups to check progress and resolve roadblocks
- Ask employees what they need to achieve their KPIs and resource them appropriately
- Recognize that change reduces team capacity for other work - and to schedule accordingly

Engage in capacity, capability, and scenario planning

Capacity, capability and scenario planning are three essential processes for agency operations professionals. They help prepare your agency for its strategic roadmap - rightsizing your team, futureproofing your skills, and confidently filling your pipeline with best-fit projects.

Capacity planning
Capacity planning is about looking to the future to ensure you have the right resources in place to deliver your goals efficiently. For example, do you have the right number and type of staff - such as UX designers - to deliver the sort of projects you plan to take on? If you plan to grow your business, do you have enough equipment and space to scale up? If you don't have capacity in place when you need it, you're likely to hit roadblocks and bottlenecks that lead to inefficiencies - at least in the short term. Capacity planning helps you reduce lower-demand roles and recruit more in-demand skills - increasing the ROI of your resources and equipping your agency for their future direction.

Capability building
Capability building is concerned with increasing your organization's ability to achieve its future goals. It involves looking at where you want your business to be, auditing your current capabilities to get there, and filling any gaps that will hold you back. Capabilities are competencies - anything from leadership skills to how to manage meetings effectively. Building capabilities can significantly improve operational efficiency over time.

Scenario planning
Scenario planning is the process of comparing different combinations of projects to work out which is best for your business. It's about planning for the 'what ifs' and comparing Plan, A, B, and C to see how different scenarios impact revenue, capacity and resource utilization. Armed with this knowledge, you're better placed to make sound decisions that support your strategic objectives - protecting your people and profits from unrealistic project combos.

Scenario planning used to be the domain of data analysts - but project management software makes it easy to model lots of scenarios fast, so you can make better business decisions.

Be alert to... growing pains

Whilst change can be challenging, it’s also essential if you want to grow. As agencies take on more work and staff, it’s inevitable that their structure and systems will need to change. **Otherwise, they will become a barrier to growth. Jacob Brain, Director of Operations at New North, explains:**

‘

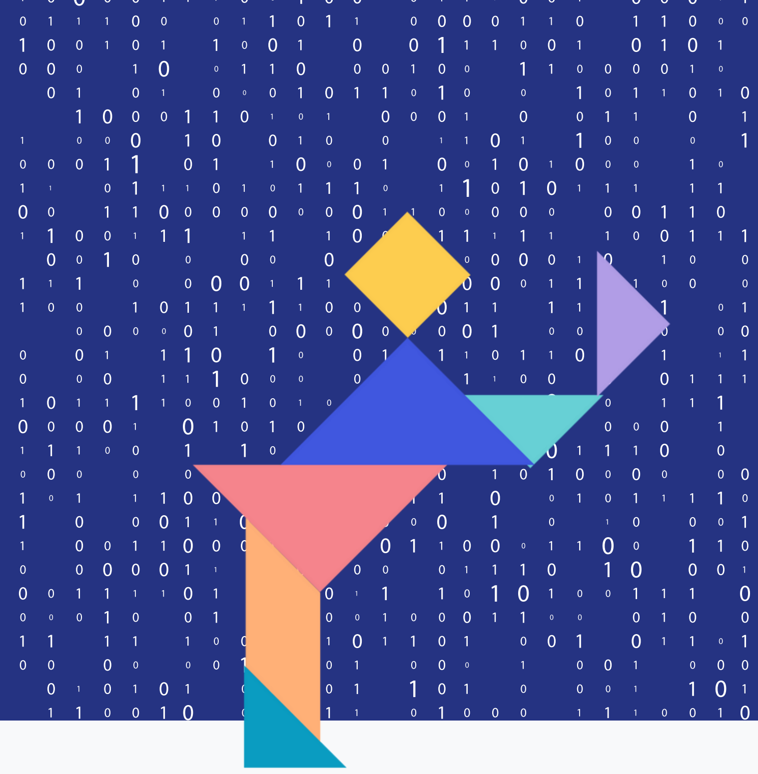
‘There are milestones where your structure can become a barrier to growth. So you need to be aware of those milestones and be comfortable with that change, with managing that change efficiently. Otherwise you're going to max out your growth because you're unwilling to make that adjustment.

You have a lot of companies growing at 30% year to year, and then they hit like 900K and then they lock out for three years straight - because they haven’t created a structure to support growth.

Flat structures can work well in the startup stage of an agency - where the CEO is managing a small team and everyone can easily communicate and collaborate in a fairly unstructured way. But there's a level of hierarchy that's created over time. As an individual, you can only manage a certain number of people personally. So there’s a transition that happens at around ten employees, and again at around 30 or so, where that structure needs to change dramatically.’

Chapter 6

Technology and data



It isn't just agency structure that needs to change as you grow. Increasing layers of management and complexity introduce their own challenges - such as reduced visibility and the increased need for reporting. Evolving your tech ecosystem - to centralize data, increase transparency, and support cross-team collaboration - can be highly beneficial.

Adopt scalable systems to support growth and efficiency

Many agencies evolve from smaller businesses into thriving enterprises - through taking on new accounts, new staff, and expanding their service offer. It can be a virtuous circle of growth and opportunity.

However, it means that agencies can be more prone to growing pains than other organizations. In particular, the inefficiency introduced by using tools that can't scale as fast as you grow. Smaller agencies looking for cost efficiency often use free tools that are ideal for lean startups - but that don't scale to larger use cases. So they struggle along with tools that slow them down, steal time and erode their efficiency. With 27% of agencies reporting they struggle to complete work on time, it's essential to seize any and all opportunities to reclaim wasted hours.

'Every single company should be investing in automation and software that works for the company. Put the money into it - every single penny is worth it,' says Ella Steinmetz-Simon, COO at 14Minds.

Make data actionable and decisions quicker

Access to accurate data is essential for informed and timely decision-making, so siloed data is a big barrier to operational efficiency.

Standardizing and centralizing data in a single source of truth ensures all departments are working with the same information - and managers have 360-degree insight into overall organizational performance.

Using software that automates data reporting and visualization will help to deliver actionable insights faster. Viewing information on self-service interactive dashboards helps leaders make confident decisions more quickly - especially compared to raw data that requires meetings to interpret and explain it (we've all been there!)

Take resource utilization as an example. In project-based businesses, managers need to be able to track and monitor resource utilization if they want to avoid over- or under-utilization. This needs information about every project and resource to be stored centrally - and updated and displayed in real-time - so they can make the right decisions for both people and projects.

Another example is monitoring projected-vs-actual budget. If managers can see data about discrepancies in project projections across all teams, they can identify best practices and share that with poorer performers. The data can also inform retrospectives that refine planning processes, so future projections are more accurate - meaning you're less likely to go over budget and schedule.

When looking to improve your data availability, consider:

- What's the essential information you need to measure and monitor
- Where that data current lives and which departments are responsible for it
- How to break down data silos by standardizing and centralizing data systems
- What software could answer the data needs of different departments

It isn't just decision-making the benefits from better data availability. McKinsey research found that improving data management, architecture, and governance can reduce waste and manual effort, cutting annual data spend by 5 to 15%. That's time and money worth saving.

Be alert to... false economies

Agencies often approach Runn when they've realized unfit-for-purpose systems are a false economy.

Tools that might once have been an efficient way to run your business become unwieldy. It's not just that they take too much time to extract and interpret data, it's also that they delay decision-making and reduce agility.

Runn's CEO, Tim Copeland explains:

> *'In my past life as head of sales for a digital agency, I got frustrated by the one-dimensional nature of the data I received from our CRM. I could see projects in the pipeline and their "value" but not how that translated to actual work, capacity, and billing over time. If you can't answer the question "What's billing going to be next month?" or "How many developers will be needed in 6 weeks?" you're leading your company blindfolded.'*

Investing in fit-for-purpose tech saves time, is more efficient, and powers better business decision-making.

Conclusion

Final thoughts

Operational efficiency is a springboard to growth for ambitious, forward-looking agencies.

- It unlocks capacity and agility to seize opportunities
- It improves process and cost efficiency to deliver great work at a lower cost
- It delivers better, faster client outcomes while protecting profit margins
- It helps secure top talent to drive forward your ambitions
- And protects their time, creativity and professional acuity in the process

All of these help you realize more revenue, reinforce your reputation, and reinvest in agency growth.

Where does your agency need work?

Operational efficiency checklist

Use this checklist to score yourself against our six efficiency levers. Where does your agency need to focus its attention first to improve productivity and profit?

Processes

☐ We regularly review processes to ensure they're efficient and fit-for-purpose
☐ Managers gain frontline operations experience to understand processes
☐ Our processes and best practices are documented, shared, and applied
☐ We continually seek to automate unnecessary manual processes

People

☐ We invest in our people, protecting them from burnout and supporting their development
☐ We actively engage in resource optimization to improve project outcomes
☐ We proactively seek to recruit and retain staff to ensure maximum operational efficiency
☐ We empower cross-team collaboration to improve efficiency

Project management

☐ We have adopted a project management methodology that works for our business
☐ We use retrospectives and data capture to improve project predictability and forecasting

☐ We schedule resources realistically to prevent burnout and maintain productivity
☐ Our project managers are empowered and equipped with the right tools

Profitability

☐ Operation colleagues support decisions around projects and pricing models
☐ We balance long- vs short-term projects according to agency needs
☐ We aim to differentiate our work by quality and client outcomes - not cost
☐ Resources are assessed and assigned intelligently to avoid overspending

Planning

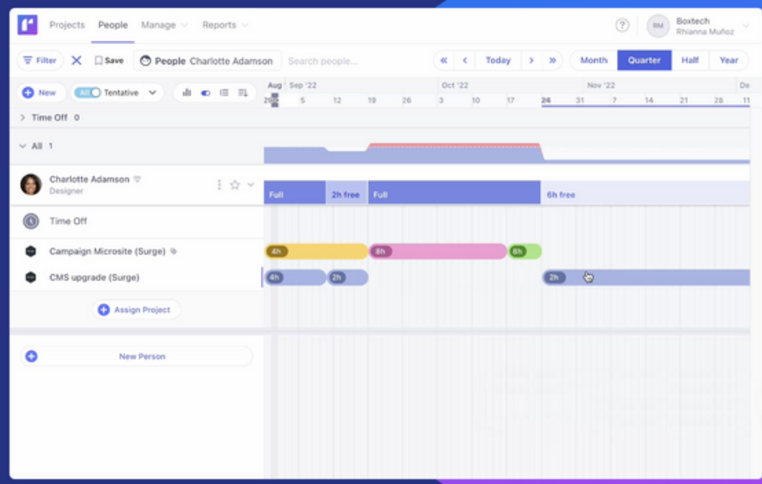
☐ We engage in big picture planning and avoid getting bogged down in detail
☐ But translate vision into goals for delivery teams
☐ We understand the importance of capacity, capability, and scenario planning
☐ We recognize restructuring can break down barriers to growth

Technology and data

☐ We constantly horizon scan for new technology to improve operational efficiency
☐ Our software systems make processes scalable and support growth
☐ Software integrations reduce siloed working and context switching
☐ Managers can access actionable data for quick, confident, decision making

Don't walk, Runn

Increase your operational efficiency today



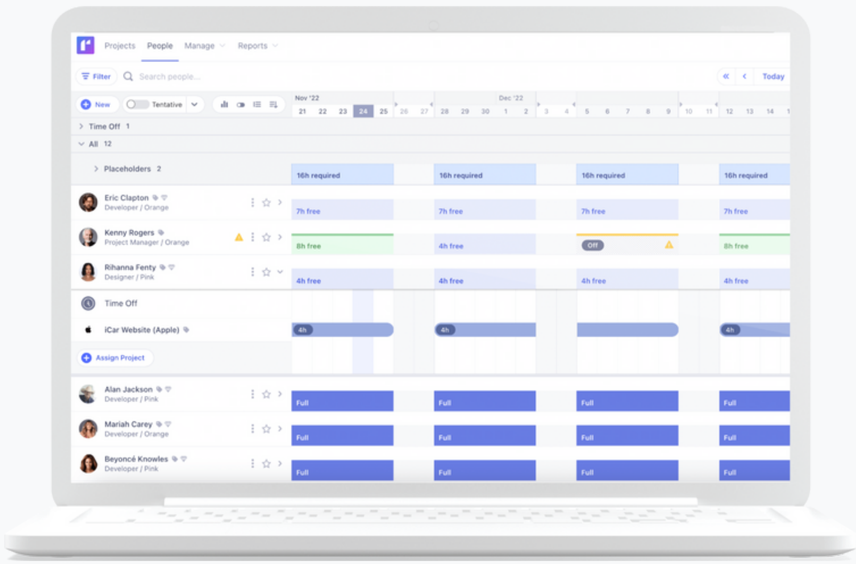
Today? You're probably thinking we're exaggerating. But you really can increase your operational efficiency right now. Runn resource management software is ready to go when you are.

Just sign up for your free 14-day trial and see how easy it is to plan projects, schedule resources, model scenarios, surface capacity, and spot opportunities.

If you find it invaluable, sign up to keep using it. If it's not for you, at least you've seen what's available.

But - in the spirit of full disclosure - we're pretty sure you're going to love it. It's all gain and no pain.

- Higher productivity
- Happy engaged staff
- Better budgeting
- Improved forecasting
- Higher resource utilization
- Easier prioritization
- Clearer capacity planning
- Data-informed decision making



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