

A close-up photograph of a hand holding a silver pen, writing on a white document. The document appears to be a financial statement or ledger, with some numbers and currency symbols visible. In the background, a calculator is partially visible on a wooden desk. The image is overlaid with a large blue diagonal shape on the left side, which contains the text.

Deltek

Agency Best Practice Guide For Financial Management

How to improve your cash flow and your bottom line



Introduction

As a finance leader in an agency, you're doing everything you can to help deliver profitable projects, accurately invoice for the work your company completes, and effectively manage your clients. And on top of those responsibilities, you're under pressure to operate more efficiently and support the teams that rely on you.

But when you've got a clear, established process that's been working for years, it's not always easy to spot the gaps. That doesn't mean you should just carry on as normal though—in many cases, agencies have valuable opportunities to change the way they work and create stronger financial positions.

In this best practice guide, we'll map the core responsibilities of your finance team to actionable and practical advice on how to optimize your monthly processes and solve your day-to-day challenges.

The three pillars of financial management



These three steps will help you achieve control over your agency finances.

1. Manage working capital effectively

A core pillar for finance teams is managing the working capital of the agency and improving cash flow. And if you don't keep this under control, the company might run short on capital, and struggle to sustain cash flow and maintain growth.



2. Control the month-end reporting process

Another key pillar is managing the month-end closing process. Your agency should be able to count on proper financial data every single month for fast, dynamic reporting and accurate decision making.

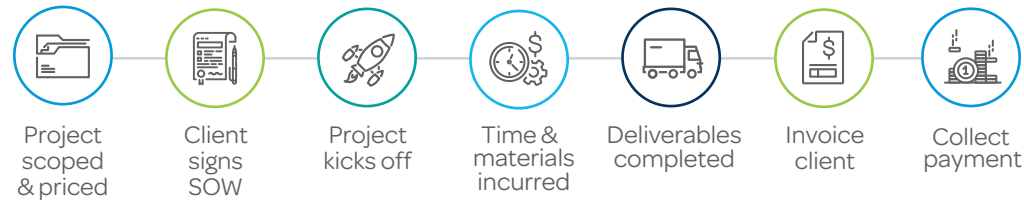
3. Manage costs and secure the bottom line

The third pillar is to keep costs under control. Finance teams know their agency's costs in advance, so these should be secured through accurate budget forecasting. This also means establishing better purchase processes with approval workflows, and walk-throughs of supplier agreements.

Manage Working Capital

The key to managing working capital and maintaining cash flow is to streamline the financial components of the entire project lifecycle. From initial scoping and project start, to the delivery of final services and payment, streamlining these processes ensures that you are capturing all costs, invoicing accurately and getting paid for all services in a timely manner.

A look at the process for time and materials contracts:



But all too often, this process is disjointed and inefficient, resulting in over-servicing, write-offs, late payments, and even non-payment from debtors. That's why we've gathered some key recommendations on how to optimize the process and avoid these risks:

1. Follow approved price lists and pre-established contract templates

If you don't scope correctly with an established price list, or fail to put the right agreements in place, you may reduce your ability to accurately invoice services.

2. Complete accurate timesheets

As a finance leader, it's important that you encourage teams to record all the time they spend on a project, to ensure your invoice accurately reflects the services you're providing.

3. Make Project Managers accountable for invoicing

They know the client and the services, so establish them as an approver in the invoicing process to make them accountable for related KPI's.

4. Streamline the process and establish deadlines

Set up fixed payment plans in order to keep track of deadlines and streamline the process from start to collection.

5. Focus on work in progress and accounts receivable

Keep track of your work in progress and debtor reports, and make sure you're actioning old projects.

Control the month-end reporting process

Every month-end closing should be performed with the same accuracy as a year-end closing to ensure the income statement and balance sheet give a true picture of the financial situation—and enable accurate decision making.

We've gathered a few recommendations on how to ensure your month-end reporting is accurate, reliable, and valuable to the rest of the business:

DAY 1	DAY 2	DAY 3	DAY 4
<ul style="list-style-type: none">• Employees record time• Creditor invoices entered• Accrue for outstanding costs• Inform PM's to evaluate progress	<ul style="list-style-type: none">• PM's evaluate progress• Follow up and recognize revenue• Capture fixed costs• Calculate and post depreciation	<ul style="list-style-type: none">• Reconcile balance sheet• Confirm profit and loss• Final check balance sheet• Post tax if applicable	<ul style="list-style-type: none">• Produce month-end reports

Month-end process (simplified overview)

1. Get all timesheets and project costs in on day one

Ensure the month's timesheets and project costs are all approved and posted by the final week of the month. Then, accrue for any bigger external project costs if appropriate to your agency's specific workflow.

2. Separate invoicing and revenue recognition

Keep revenue recognition up to date by regularly calculating the value of your work in progress. If maintained correctly, your month-end process shouldn't require you to manage all invoicing before the month closes.

3. Apply proper evaluation of progress

On the second day of the month-end process, Project Managers should measure the progress on fixed-fee projects, and the value of overall work in progress—making sure they're responsible for any write-downs.

4. Create accurate and valuable month-end insights

At the end of the process, you need to create accurate reports that reflect the information you need—including statements on income, utilization, working capital, and future insights on revenue streams and pipeline.

Manage costs and secure your bottom line

As a finance leader, you're expected to stay in full control of the costs of your agency, and guide your team towards positive financial performance. But when you're focused on creating accurate month-end reports and managing overall capital, it can be difficult to stay on top.

We've included some recommendations on how to efficiently manage costs across five key areas:

1. Revenue

Alongside the revenue recognition process at month-end, revenue forecasting is a critical part of managing costs. As a finance leader, you need to manage revenue month by month, and ensure there are no unapproved write-offs.

2. Variable costs

To an agency, freelancers will often be your biggest variable cost. That's why it's important to have an established process for working with them, and a clear PO process with approvals.

3. Compensation

There's always a growing pressure to increase compensation, so it's important your finance team has a strong process for annual pay raises. This means balancing new hires against your revenue and resources. And that process is easier to control when you have accurate pipeline and capacity forecast reviews in place at least four months ahead of hiring.

4. Other fixed costs

In many cases, these costs go unchanged throughout the year, so apart from renegotiating your contracts for office rental, IT equipment, telephone, and other key services on a regular basis, we also recommend applying a PO process if it adds value.

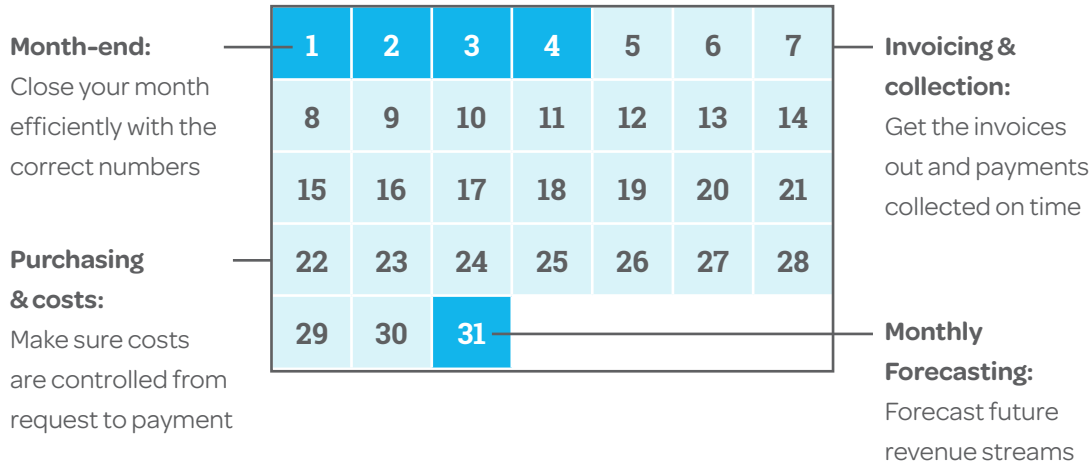
5. Forecast revenue and be prepared to adapt your finance budget

While it's a smart idea to apply a yearly finance budget, agencies operate in a dynamic world that's always changing, and depending on your revenue stream, your budget could quickly become outdated in just a matter of weeks. It's important to regularly update your net revenue forecast and adapt your financial budget as needed.

Establish your rhythm of business

When you have clear, established processes for every pillar of your finance operations, it's easier to stay on track of your responsibilities and shape an effective rhythm of business.

We've compiled some of the key ideas we've explored into four key processes—to offer insight into how our clients work, and how you can optimize your finance department.



- 1. Month-end Closing:**
The month-end process can be accelerated by automating revenue recognition and engaging Project Managers at the start of the process. Depending on your agency's workflow, you can potentially complete the month-end process in as little as a week, by streamlining and optimizing these financial components of the project lifecycle as described.
- 2. Invoicing and collection**
Your cashflow is dependent on your ability to manage your work in progress and your accounts receivable. This means you need to focus on getting timesheets submitted efficiently, with a defined process for approval of time and expenses, all followed by regular invoicing for collecting payments.
- 3. Purchasing and costs**
It's easier to manage unexpected costs when you have a tight control over the cost process, from initial request to when the payment is made. To help improve this process, it's best practice to introduce purchase orders as a pre-requisite for external project purchases and establish a consistent process for the approval and payment of purchased services.
- 4. Monthly Forecasting**
Accurate forecasting is about having full insight into your pipeline revenue and resource capacity—and keeping on top of that on a monthly basis. This also means updating the rest of your agency on a monthly or quarterly basis and incorporating forecasting as part of regular planning.

Conclusion

Take a streamlined approach to finance

As competition in the market continues to rise, so does the pressure on agencies to provide greater financial transparency, maintain proper cash flow, create more accurate forecasts—and ultimately deliver better services. That means having a strong approach to finance management is critical to your agency’s success.

As we’ve explored in the guide, strategic finance management comes down to three key areas: a streamlined project lifecycle to manage working capital, accurate month-end reporting, and tight control of costs. When these are all managed effectively, it’s easier to guide your agency towards a positive financial position.

To help simplify your next steps, we’ve outlined some of the key takeaways from each area we’ve explored.

PILLAR	RECOMMENDED PROCESS
Manage Working Capital	Streamline financial management by scoping accurately, using timesheets to capture the input you’re providing, and ensuring you’re invoicing in a timely manner for all hours incurred.
Month-end Reporting	Ensure your timesheets and project costs are all confirmed by the first day of the month-end process, and accurately measure the value of your overall work in progress.
Cost Management	Give yourself clear visibility of all your costs—from revenue and compensation to freelance fees and utilities—to create monthly and yearly finance budgets.

Even with these recommendations, we understand that financial management can still be a significant challenge for agencies. That’s why many agencies look for an intelligent agency management solution that can help simplify core financial processes and enable finance teams to focus on more strategic goals.

[Explore the Finance and Account functionalities of our total Agency Management Solution](#) to find out how you could take a simpler approach to managing your cash flow and securing your bottom line.

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