



# 6 KPIs Every A.E.C Firm Needs At Their Fingertips

*THE AEC Scorecard™*

How To Read And Interpret  
Company and People Scorecards

# WHAT IS THE AEC SCORECARD™?



This AEC Scorecard gives you **six charts** that show the relationship between the productivity of your people and the profit in your firm.

This guide shows you how to look at trends of the most important drivers of every AEC business, so you can see *where* and *when* to take action.

You can measure budget vs. actual and you can benchmark your results against your written goals, peers, and the competition.

By tracking how 'People Drive Profit' you can see how investing in your people helps increase productivity and your bottom line.

\* KPI = Key Performance Indicator

There are only three ways an AEC firm can increase profit. This scorecard will help you figure out which levers to pull. You'll get answers to questions like...

- *Are you growing your top line but not your bottom line?*
- *Are labor costs growing faster than billing rates?*
- *How do you stack up against industry peers?*



The average AEC firm has 12-15% Net Income.

**The market leaders** have 20-23% on the bottom line.\*\*

\*\*<https://info.delttek.com/43rd-Annual-Deltek-Clarity-AE-Industry-Study>

[Learn more about getting your own customized AEC Scorecard™ here.](#)

# THE AEC SCORECARD™

● Actual 
 ◆ Budget 
  Headcount 
 ● Trendline

## PEOPLE



## Company

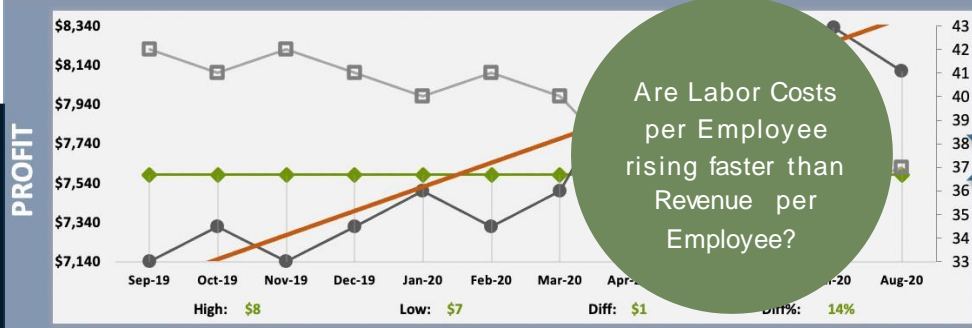
### Net Revenue per EE



### Gross Revenue TTM



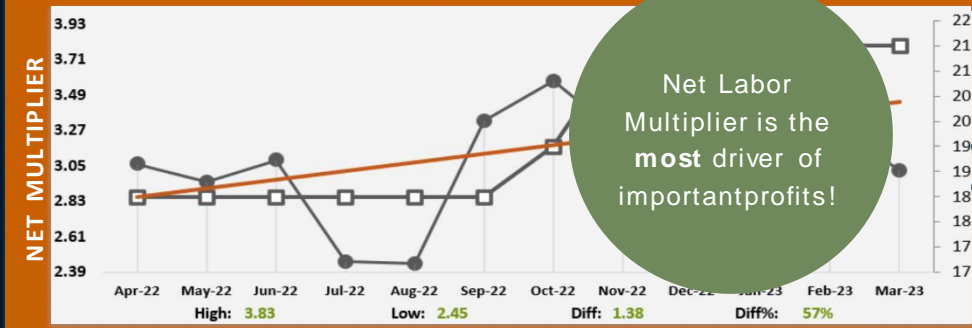
### Labor Cost per EE



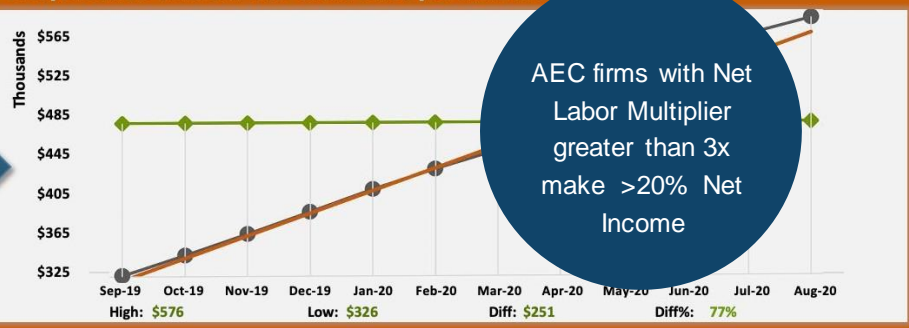
### Gross Profit TTM



### Net Labor Multiplier



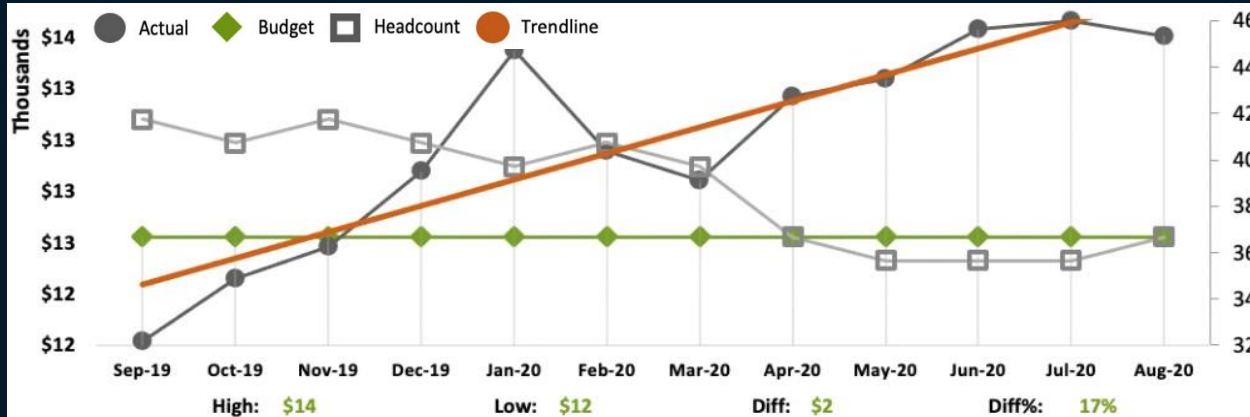
### Net Income TTM



# NET REVENUE PER EMPLOYEE



Net Revenue\* divided by # of EEs



“This shows how much revenue you earn from your people.”

## WHY IT'S IMPORTANT TO YOUR AEC FIRM

AEC firms make money on people's time. This shows how much you bring in per employee and if it's getting better or worse.

## WHAT IT TELLS YOU

This trend shows how much revenue you bring in per person so you can compare it to labor cost per person.

This shows the hidden cost of turnover and how long it takes for new people to get up to full productivity.

If you turn time leakage and out of scope work into new billings, you can see it here.

\***Net Revenue** is total revenue *minus* consultants, direct expenses (whether reimbursable or not), or bad debt / write off.

## WHAT TO DO

### When Net Revenue Per Employee is growing:

Compare your revenue trend with your labor cost per employee trend to see if your fees are keeping pace with rising labor costs.

### If Net Revenue Per Employee is shrinking:

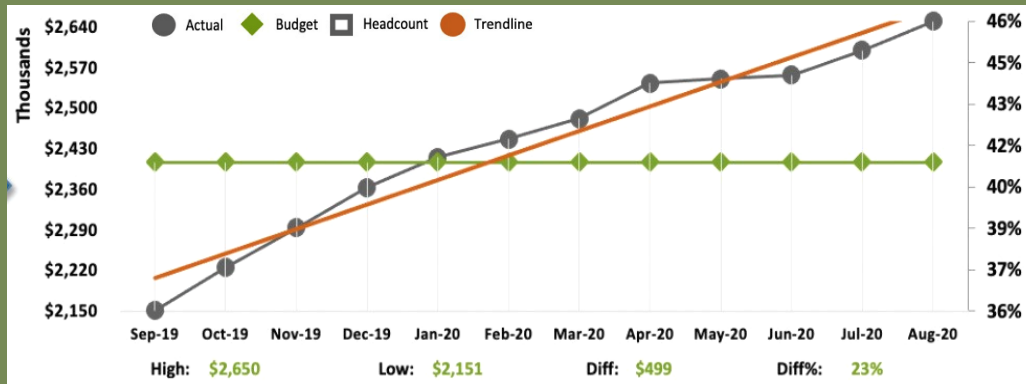
Drill down to see is it utilization, staff mix, or time leakage?

If you had staff turnover, find out how that impacted billings by drilling down to see how long does it take to get new employees to full productivity?

# GROSS REVENUE TTM\*



## Total Revenue Earned



“This shows the trend of your ‘top line’ - the total amount you earned.”

## WHY IT'S IMPORTANT TO YOUR AEC FIRM

If you are not growing, you are shrinking. This tells you how much your revenue is growing as compared to your budget and last year.

## WHAT IT TELLS YOU

This trend line shows if billings are growing, falling or staying the same as last year. When the number grows it means you beat the same month last year.

## WHAT TO DO

### If Gross Revenue is Increasing:

Compare your revenue trend to your net income trend.

Are you keeping that new growth? Its not how much you earn that matters, its how much you keep!

Before you add staff, can you get more revenue from the people you already have?

### If Gross Revenue is shrinking:

Review “**what causes sales**” to increase revenue.

Look at above the line labor costs to uncover time leakage. That can lead to additional new billings.

\***TTM Trailing Twelve Months** is the best way to see your true economic results - It's a two year trend. Each dot is the total for the prior twelve months..

# LABOR COST PER EMPLOYEE

PEOPLE



Labor Cost divided by # of EE's



“Are Labor Costs per Employee rising faster than Revenue per Employee?”

## WHY IT'S IMPORTANT TO YOUR AEC FIRM

You need to compare labor costs to the trend of your revenue per employee to make data-driven decisions about pricing.

## WHAT IT TELLS YOU

If labor costs are growing faster than revenue, it's time to adjust pricing so labor doesn't eat up your cash flow.

Market-leaders increase rates as soon as labor costs go up.

## WHAT TO DO

**Compare your labor cost to your gross profit trend** to make sure your pricing is keeping up with labor costs - especially now when salary and benefit costs have risen sharply!

**Don't be afraid of rising labor costs**, if revenue and profits are growing faster. High performing companies have low turnover and profit sharing, which is a good reasons to have higher labor costs per employee.

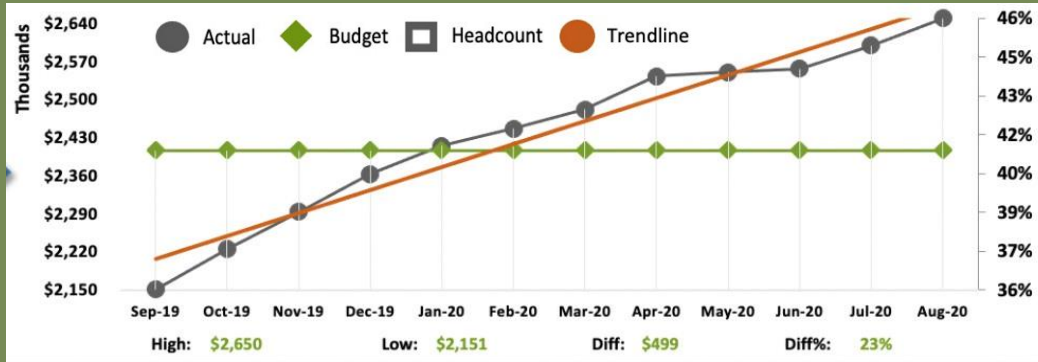
**Make sure “above the line” labor costs are “fully loaded”** – typically your labor costs should include a 20-30% burden rate from taxes, health insurance, 401(k), recruiting, and training.

# GROSS PROFIT TTM

COMPANY



 Gross Profit % = Gross Profit \$ divided by Gross Revenue \$



“Gross Profit % is **important** because every \$ of increase goes directly into your bank.”

## WHY IT'S IMPORTANT TO YOUR AEC FIRM

Gross Profit % is a critical because increases in gross profit go *right* into your bank account.

Cash flow problems happen when each job doesn't create enough margin to cover its share of overhead and reach your target profit.

## WHAT IT TELLS YOU

Pricing is the most important decision you will make. This shows if you are pricing your jobs right- meaning, they cover overhead and create a profit.

By studying **gross profit %**, you can make data-driven decisions and know how to properly price each job so you make your profit goal.

## WHAT TO DO

**Set up your accounting system** to automatically allocate “above the line” from “below the line” labor. This way you can see which jobs cover their share of the overhead and generate your target net profit.

**Run a job profitability report** for every client and look at the bottom 15% to uncover your hidden costs. This will make you price your next job *smarter*.

Look at the gross profit to find time leakage - time you are paying for but not getting paid for - this helps create new billing opportunities.

# NET LABOR MULTIPLIER

PEOPLE



Net Revenue\* / Direct Labor \$



“Net Labor Multiplier is the **most** important driver of profits!”

## WHY IT'S IMPORTANT TO YOUR AEC FIRM

This, more than any other metric, will tell you how profitable your business will be.

## WHAT IT TELLS YOU

It shows how much money you bring in per dollar of labor cost. **People are your biggest cost and most important asset** - this helps you see the return you get from your investment in your people.

High Performing AEC Firms consistently have a Net Labor Multiple greater than 3x<sup>1</sup>.

## WHAT TO DO

If net labor multiplier is growing, then recognize and reward your top performers.

If net labor multiplier is shrinking, drill down by partner, team, client to see if you have a problem with pricing, turnover or time leakage.

\*Net Revenue is total revenue *minus* consultants, direct expenses (whether reimbursable or not), or any bad debt/ write off.

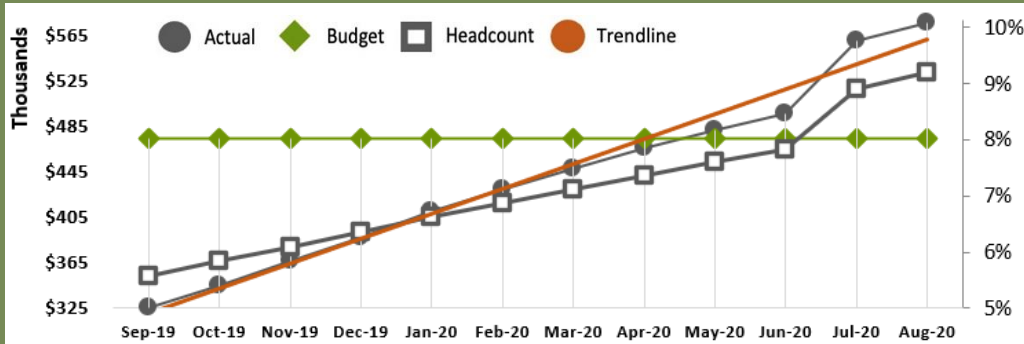


# NET INCOME TTM

COMPANY



Gross Profit \$ minus Overhead \$



“What matters is not how much you make, it’s how much you keep!”

## WHY IT’S IMPORTANT TO YOUR AEC FIRM

The goal of every business is to generate a profit. This shows how good you are at doing that. You can see both Net Income \$ and Net Income % and compare to budget or industry benchmark.

## WHAT IT TELLS YOU

This tells you **whether-or-not your firm is making money**. It takes great sales, service, and support to build a great company. You measure your success at all three by watching the trend of your bottom line.

## WHAT TO DO

If your **Net Income is growing**, recognize and reward your team so they know how they benefit from the company’s success. If everyone knows how their actions help the company, and why increased profits is good for them, you’ll get more discretionary effort.

If **Net Income is falling**, there are only three things you can do: look at the Gross Revenue and Gross Profit trends to see if your problem is

1. Top line sales
2. Gross profit (pricing or time leakage) or
3. Too much overhead

Review any cost that is not generating an ROI. **Consider outsourcing to reduce the cost of your back office.**



Learn how to get your own  
**customized AEC Scorecard**  
by clicking [here](#).

# GrowthForce™

accounting for AEC firms

With 35+ years of experience, GrowthForce's industry specific expertise in outsourced accounting, advisory and bookkeeping services empowers AEC firms to make data driven decisions that boost profitability and productivity.

**Let us handle the accounting and we'll help you run your AEC Firm and increase profits.**

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