

# Business Services: Projects or Staffing – Does It Matter?

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Absolutely. While most professional services firms do both projects and staffing to varying degrees, it is essential that you choose one as your core delivery approach and that it supports your corporate strategy and vision. The decision impacts every aspect of your company internally and externally from leadership through back office support.

There is no right or wrong answer as to which delivery approach you should adopt. Doing either well can lead to marketplace differentiation, favorable regard by your clients and prospects, and financial success. Trying to be both can lead to confusion in the marketplace and within the company, staffing issues, and disappointing financial results.

In reality, the two approaches can coexist in an environment where one dominates and the other is done opportunistically. It is more common for a projects firm to do periodic staffing when business is slow and consultants are on the bench. It generates revenue and keeps skills up-to-date. Typically, rates and margins will be lower, but acceptable in the short-run. It is less common and more difficult for staffing firms to take on projects due to the lack of a track record of project experience and credentials and not having a delivery methodology.

The comments and information presented in this article are not just observations, but personal experiences, too. I have been a consultant for 30 years, and have worked with about 140 clients. I have worked in very large and very small firms; some project-oriented and others staffing-based. I have seen the projects versus staffing issue almost everywhere. Many firms deal with it proactively and build their chosen approach into the strategy, culture and other aspects of their companies. As a result, these are the more successful professional services firms.

A while back the main distinction people pointed to between projects and staffing was that when you did project work you owned responsibility for the results (i.e., deliverables). Although still a major distinction, the differences are much more pervasive.

The remainder of this article presents a comparison of the projects versus staffing approaches. It is shown within the context of a firm's general business functions (illustrated on the next page). This will enable you to get a sense of the impact each delivery approach has on your business. The comparison is in table format, which can serve as a checklist for you to re-evaluate or validate your chosen approach to the delivery of IT services.

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## **Business Functions**

The following chart depicts business functions broken out into seven basic areas. The comparative table below that is organized around each of these areas.

### **Business Functions/Areas**



## **Projects versus Staffing**

The table beginning on the next page is designed to help distinguish the characteristics of project work versus staff augmentation. The items included represent the general rule, although you may experience some exceptions in your business. (e.g., some staff augmentation jobs may have more people or greater revenues than some projects). It is important to consider each business function, since they work in concert and impact each other.

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PROJECTS	STAFFING
<b>LEADERSHIP</b>	
<ul style="list-style-type: none"> <li>Philosophy of providing IT solutions</li> </ul>	<ul style="list-style-type: none"> <li>Philosophy of providing IT people</li> </ul>
<ul style="list-style-type: none"> <li>Value-added business which can be differentiated in many ways</li> </ul>	<ul style="list-style-type: none"> <li>Skills (requirements) fulfillment business differentiated on availability &amp; rates</li> </ul>
<ul style="list-style-type: none"> <li>Client partnerships are common</li> </ul>	<ul style="list-style-type: none"> <li>Vendor relationship is typical &amp; long-term relationships are possible</li> </ul>
<ul style="list-style-type: none"> <li>Clients buy deliverables, results, solutions</li> </ul>	<ul style="list-style-type: none"> <li>Clients buy IT skills</li> </ul>
<ul style="list-style-type: none"> <li>Clients buy company experience</li> </ul>	<ul style="list-style-type: none"> <li>Clients buy consultant's experience</li> </ul>
<ul style="list-style-type: none"> <li>Culture                             <ul style="list-style-type: none"> <li>○ Closer, team-like atmosphere</li> <li>○ More client intimacy</li> <li>○ Caring &amp; nurturing of staff (team)</li> <li>○ Greater risk taking with responsibility for deliverables</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Culture                             <ul style="list-style-type: none"> <li>○ More of an individual atmosphere</li> <li>○ More client as a customer</li> <li>○ Amass skills as needed</li> <li>○ More risk averse by just supplying skills under client's direction</li> </ul> </li> </ul>
<b>OFFERING MANAGEMENT</b>	
<ul style="list-style-type: none"> <li>IT solutions focused on a few specific technologies in order to develop deep skills &amp; credentials</li> </ul>	<ul style="list-style-type: none"> <li>IT skills with less focus on any particular technology – willing to find almost any technical skills a client requests</li> </ul>
<ul style="list-style-type: none"> <li>In many cases additional focus on particular industries &amp; business functions</li> </ul>	<ul style="list-style-type: none"> <li>Less specific focus on beyond technology</li> </ul>
<ul style="list-style-type: none"> <li>Competition stiff, but lessened based on service niches</li> </ul>	<ul style="list-style-type: none"> <li>Very competitive based on requirements turn-around time &amp; rates</li> </ul>
<b>MARKETING</b>	
<ul style="list-style-type: none"> <li>Branding &amp; messaging based on unique combination of credentials &amp; solutions (i.e., technology, industry and/or business functions) &amp; value-added proposition</li> </ul>	<ul style="list-style-type: none"> <li>Harder to differentiate, although some staffing firms fill specific niches – in any case, differentiation based on individual skills and rates</li> </ul>
<ul style="list-style-type: none"> <li>More effective lead generation leverage through 3<sup>rd</sup>-party channel partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Channel partnerships are less effective – two-way lead generation less prolific</li> </ul>
<ul style="list-style-type: none"> <li>Can proactively use wedge offerings like high level assessments/reviews as “door openers” to prospective clients</li> </ul>	<ul style="list-style-type: none"> <li>Most leads are opportunistic/reactive where the client has a specific skills need</li> </ul>
<ul style="list-style-type: none"> <li>Targeted companies &amp; buyers can be corporate, business &amp; IT executives and sometimes IT users</li> </ul>	<ul style="list-style-type: none"> <li>Targeted buyers are generally IT managers and sometimes the CIO – rarely anyone outside of IT</li> </ul>

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PROJECTS	STAFFING
<b>SALES</b>	
<ul style="list-style-type: none"> <li>• Longer sales cycle (i.e., weeks or months)</li> </ul>	<ul style="list-style-type: none"> <li>• Shorter sales cycle (i.e., days or weeks)</li> </ul>
<ul style="list-style-type: none"> <li>• Can be proactive or opportunistic – can help create or identify client need</li> </ul>	<ul style="list-style-type: none"> <li>• Generally opportunistic (i.e., reactive) – client has a specific skill need</li> </ul>
<ul style="list-style-type: none"> <li>• Sell company experience</li> </ul>	<ul style="list-style-type: none"> <li>• Sell consultant’s experience</li> </ul>
<ul style="list-style-type: none"> <li>• Greater visibility within clients</li> </ul>	<ul style="list-style-type: none"> <li>• Sell to IT buyers most of the time</li> </ul>
<ul style="list-style-type: none"> <li>• More complex &amp; formal sales</li> </ul>	<ul style="list-style-type: none"> <li>• Less formal process unless an RFP</li> </ul>
<ul style="list-style-type: none"> <li>• Can often be sole-sourced sale</li> </ul>	<ul style="list-style-type: none"> <li>• Almost always competitive – skill &amp; rates</li> </ul>
<ul style="list-style-type: none"> <li>• Pricing can be value-based, as well as rate-based</li> </ul>	<ul style="list-style-type: none"> <li>• Pricing is rate-based</li> </ul>
<ul style="list-style-type: none"> <li>• Greater revenue &amp; gross margin potential with larger opportunities, assumed risk &amp; more people assigned to project</li> </ul>	<ul style="list-style-type: none"> <li>• Less revenue &amp; gross margin potential due to selling skills (i.e., “bodies”) &amp; not taking on project risks</li> </ul>
<ul style="list-style-type: none"> <li>• More complex contract negotiations</li> </ul>	<ul style="list-style-type: none"> <li>• More simplified contract negotiations</li> </ul>
<ul style="list-style-type: none"> <li>• Sales team needs to be experienced in complex team selling</li> </ul>	<ul style="list-style-type: none"> <li>• Sales team needs experience in transactional sales</li> </ul>
<ul style="list-style-type: none"> <li>• Sales incentive plan can focus on project revenue and/or gross margin</li> </ul>	<ul style="list-style-type: none"> <li>• Commission plan should typically focus on hourly rate gross margin</li> </ul>
<b>OPERATIONS (DELIVERY)</b>	
<ul style="list-style-type: none"> <li>• Company manages/controls delivery process</li> </ul>	<ul style="list-style-type: none"> <li>• Client manages effort</li> </ul>
<ul style="list-style-type: none"> <li>• Assume (or co-assume) risk for deliverables &amp; results</li> </ul>	<ul style="list-style-type: none"> <li>• Risk limited to individual’s scope of work</li> </ul>
<ul style="list-style-type: none"> <li>• Bring your own solution or help develop &amp; implement custom solution</li> </ul>	<ul style="list-style-type: none"> <li>• Help implement client’s solution</li> </ul>
<ul style="list-style-type: none"> <li>• Team effort – provide project teams &amp; managers</li> </ul>	<ul style="list-style-type: none"> <li>• Individual effort – provide IT staff/skills, which may include a project manager</li> </ul>
<ul style="list-style-type: none"> <li>• Client approves project leader/manager as part of buying the work</li> </ul>	<ul style="list-style-type: none"> <li>• Client approves most, if not all, candidates proposed to fill requirements</li> </ul>
<ul style="list-style-type: none"> <li>• Use your own or client’s methodology &amp; tools</li> </ul>	<ul style="list-style-type: none"> <li>• Use client’s methodology &amp; tools</li> </ul>

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PROJECTS	STAFFING
<b>SUPPORT SERVICES</b>	
<ul style="list-style-type: none"> <li>● Recruiting – consultant profile                             <ul style="list-style-type: none"> <li>○ Team player</li> <li>○ Interested in career path &amp; development</li> <li>○ More open to different roles</li> <li>○ Can fill IT staff role, if needed</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● Recruiting – IT specialist profile                             <ul style="list-style-type: none"> <li>○ Typically prefers working alone</li> <li>○ Interested in training only</li> <li>○ OK working in niche role</li> <li>○ Can be harder to staff as team member on a project based on personality &amp; preferences</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>● Human resources                             <ul style="list-style-type: none"> <li>○ W-2 consultants</li> <li>○ Full benefits</li> <li>○ Training plans &amp; programs</li> <li>○ Career paths</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● Human resources                             <ul style="list-style-type: none"> <li>○ W-2 or 1099 staff</li> <li>○ Benefits range from full coverage to none</li> <li>○ Some training – generally through 3<sup>rd</sup> parties</li> <li>○ No upward career paths – generally horizontal to another specialty</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>● Recruiting works to fulfill internal projections of future need</li> </ul>	<ul style="list-style-type: none"> <li>● Recruiting works closely with sales to fulfill specific client requirements</li> </ul>
<ul style="list-style-type: none"> <li>● Provide more infrastructure – laptops, phones, e-mail, work space, etc.</li> </ul>	<ul style="list-style-type: none"> <li>● May provide some infrastructure or could require IT staff to supply own</li> </ul>
<b>FINANCE</b>	
<ul style="list-style-type: none"> <li>● Cost of goods sold (i.e., services delivered) relatively fixed based on number of full-time consultants on staff</li> </ul>	<ul style="list-style-type: none"> <li>● Cost of good sold more variable based on level of just-in-time hiring (i.e., mix of full-time &amp; part-time staff)</li> </ul>
<ul style="list-style-type: none"> <li>● Various billing options                             <ul style="list-style-type: none"> <li>○ Time &amp; expenses (T&amp;E)</li> <li>○ Fixed price</li> <li>○ Not-to-exceed</li> <li>○ Risk (penalty)/reward</li> <li>○ Milestone</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● Billing terms are generally T&amp;E</li> </ul>
<ul style="list-style-type: none"> <li>● Accounts receivable (A/R) collections can vary based on mix of billing terms</li> </ul>	<ul style="list-style-type: none"> <li>● A/R collections more consistent based on T&amp;E terms</li> </ul>

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The distinctions are extensive throughout all areas of an IT professional services firm. Your company's experience may be similar or it could be quite different considering your mix of projects and staffing work. One thing is certain – it is very difficult to optimize success when you try to do both as part of your core business. For example, the differences in the way you sell and deliver each approach increases complexity and costs, as you need different people for projects and staffing.

Ultimately, your firm will do some of both, so just keep within the context of one approach being your core strategy. Use the projects versus staffing table to periodically reevaluate each business area in order to confirm that your company is aligned with your chosen focus.