Deltek

The 2025 Guide to KPIs for Architecture & Engineering Firms

Discover which KPIs are needed for efficient business growth and how to measure them

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Which KPIs are Needed for Business Growth and How to Measure Them

As an architecture or engineering (A&E) firm, you already understand the importance of monitoring the key performance indicators (KPIs) relating to your employees and their job roles. However, it is just as important to monitor relevant business and project KPIs so that you have a 360-degree view of performance at the organisational and project levels.

This guide covers the top KPIs you should be measuring – as identified in the **5th Annual Deltek UK and ANZ Deltek Clarity Study**. These include KPIs for monitoring growth and financial performance, project delivery and human capital management. Monitoring these KPIs will enable you to accurately assess the performance of your business, people and projects.

KPIs for Measuring Business Growth and Profitability

The A&E firms that we surveyed confirmed that business growth and profitability are a focus for them, and they were considering several different strategies to help them meet their objectives:

- 94% of firms were planning to change their strategy around who/what businesses they work for in 2024.
- Firms planned to focus on controlling the ever-increasing cost of running their business to protect their profit margins:
    - Reducing expenses (33%)
    - Increasing control of costs – purchases and approvals (28%)
    - Ensuring people register hours on time (27%)

To meet your growth and profitability objectives and goals, it's important to know what success looks like and whether you are making the right level of progress. We've identified several KPIs you can monitor to track your progress in this area.

83% of architecture and engineering firms expect to see their profits increase in 2024.

5TH ANNUAL UK AND ANZ DELTEK CLARITY REPORT

Operating Profit on Net Revenue

What?

Operating profit on net revenue is a key KPI for A&E firms to measure because it shows you how much operations are contributing to the firm's revenue compared against operating costs. If your operating cost to net revenue is low, you are making more money per unit of sales than a company whose operating profit is a high percentage of revenue. The **5th Annual Deltek Clarity Study for the UK and ANZ** showed that only a quarter of firms feel that they are tracking operating profit effectively, which will impact how they measure their contribution to net revenue.

How?

Operating profit on net revenue is calculated by dividing gross profit (pre-tax, pre-distribution) by net revenue (total revenue minus consultants and other direct expenses, both billable and non-billable) and multiplying by 100.

Operating Profit on Net Revenue = (Gross Profit / Net Revenue) x 100

Who?

The CFO and their finance team are best placed to access the right information, perform the calculation, and provide the results and narrative on what this means for the firm.

Only **25% of A&E firms** feel that they are good at tracking their operating profit.

5TH ANNUAL UK AND ANZ DELTEK CLARITY REPORT

Net Labour Multiplier

What?

The net labour multiplier is a great indicator of how profitable your firm is relative to the effective use of an A&E firm's most valuable resource – its people. The net multiplier on labour shows how much return on investment (ROI) your firm is getting from direct labour costs. The higher the net labour multiplier, the greater the firm's revenues are as a factor of the labour costs.

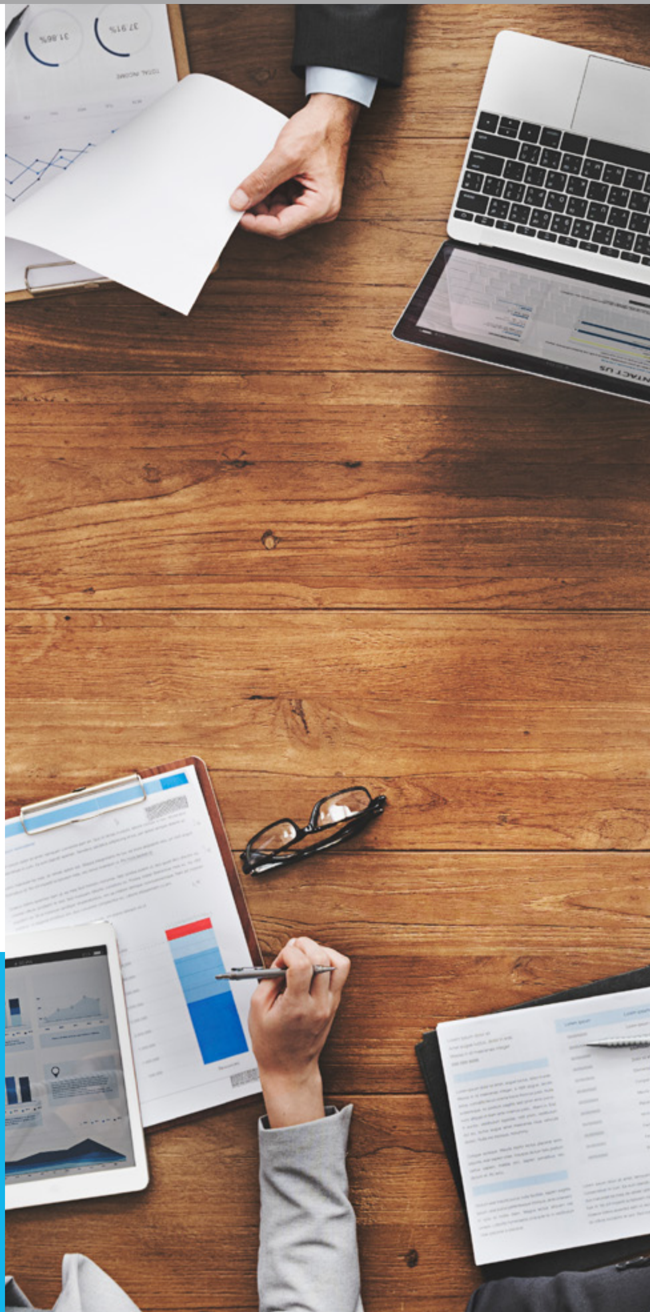
How?

To calculate the net labour multiplier, divide the firm's net operating revenue by its direct labour costs. These figures can be found on the firm's profit and loss (P&L) statement.

Net Labour Multiplier = Net Operating Revenue / Total Direct Labour

Who?

Traditionally the finance team calculates the net labour multiplier and provides insight into what this means for your business.



Only **26% of A&E firms** feel that they track the ROI from their labour well.

5TH ANNUAL UK AND ANZ DELTEK CLARITY REPORT

Overhead Rate

What?

The overhead rate is a key indicator of your firm's ability to effectively manage non-project related costs. It is the percentage of non-project related expenses against your total direct labour cost. Therefore, the lower your overhead rate, the less you are spending on non-project related activities and the higher your firm's overall profitability. A low overhead rate isn't always a great sign, though. It needs to be balanced against other factors in the business, primarily around employee benefits and strategic firm investments.

How?

To calculate your overhead rate, divide your total indirect expenses by your direct labour costs.

Overheard Rate =
Total Indirect Expenses /
Direct Labour Costs

Who?

The operations team/program manager, or CFO and finance team, should be able to provide details of the firm's overhead rate.

20% of A&E firms admit that they are bad at tracking their overhead rate.

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Total Payroll Multiplier (Revenue Factor)

What?

Total payroll multiplier, sometimes called revenue factor, is the most consistent indicator of an A&E firm's operating performance. Directly relating revenue to total labour costs cancels out the push and pull between **utilisation rate** and net labour multiplier and shows how efficiently your firm is converting labour to revenue.

How?

The total payroll multiplier is calculated by multiplying utilisation rate by the **net labour multiplier**, or by dividing net revenue by total labour

Total Payroll Multiplier = Utilisation Rate x Net Labour Multiplier

Who?

Your finance team should be able to provide the firm's total payroll multiplier. Alternatively, they can provide the utlisation rate and net labour multiplier figures to complete the calculation.

Only **a quarter of A&E firms** surveyed are confident that they are tracking revenue factor well.

5TH ANNUAL UK AND ANZ DELTEK CLARITY REPORT

30%

of A&E firms surveyed identified managing growth as a top financial management challenge over the next three years.

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Net Revenue Growth

What?

Net revenue growth is a clear indicator of business performance. When net revenue increases, your business is securing more work and operating efficiently. If your net revenue falls over consecutive reporting periods, it is an indication that something is amiss.

This metric should also be evaluated in two ways – forecasts and actuals as well as the difference between the two. Looking out over the next six, 12 or 18 months, how much are revenues expected to grow, and how will the firm effectively deliver that work? Then, based on those forecasts, is the firm seeing the expected influx or decline in revenue?

How?

By analysing profit and loss (P&L) data along with project-specific metrics like days sales outstanding (DSO) and project schedule variance, your team will be able to understand whether revenues really are increasing steadily. This will allow you to forecast and respond to expected future growth or decline. From a forecasting perspective, monitoring the pipeline based on defined pursuits and opportunities rather than gut feel or previous year's performance with clients can dramatically increase visibility and accuracy in forecasts becoming a reality.

Who?

Monitoring revenue is a finance function; thus, calculating and monitoring net revenue growth will generally fall under the remit of the finance director. They will need access to information that not only shows annual turnover but allows them to report in more detail on per-project revenues and the like. Meanwhile, the forecast is typically managed by the business development team as they are building pipeline, working pursuits and developing strategies to win new work. This should be managed in a central CRM solution that is accessible and visible to help better planning and execution once the projects are awarded.

Win Rate/Capture Rate

What?

The win rate and capture rate tell a firm how effective they are at pursuing and winning potential projects. The win rate is based on the number of projects pursued compared to the number of projects awarded or won, while the capture rate is based on the value of those projects. The capture rate looks at the total value of those projects pursued compared to the total value of the projects awarded. Where the win rate or capture rates are low, you may uncover a problem with your pursuit strategy, client relationship, internal teams pursuing the projects, reputation in the market or more variables that may help teams determine where it makes the most sense to invest time and resources for a better ROI.

How?

To calculate your win rate, you need to take the total opportunities won and divide these by the total opportunities pursued:

Win Rate = Total Opportunities Won/Total Opportunities Pursued

For your capture rate, you need to divide the total revenue amount won by the total revenue amount pursued:

Capture Rate = Total Revenue Won/Total Revenue Pursued

These can be calculated monthly, quarterly or yearly and should be calculated in different segmentations to uncover potential opportunities for improvement, including market, client, business unit, pursuit team, etc.

Who?

The business development leader has access to all the information relating to pursuits and opportunities, making them perfectly equipped to calculate the win rate and capture rate.

30%

of A&E firms see more effective sales and marketing as one of their top three organisational priorities.

5TH ANNUAL UK AND ANZ DELTEK CLARITY REPORT

KPIs to Monitor Successful Project Delivery

According to the **2024 SPI Professional Services Maturity Benchmark Report**, on-time project delivery decreased from 76.2% in 2022 to 75.7% in 2023. This isn't a big drop, but it's a potential trend that A&E firms need to manage and reverse before it starts to have a real impact on their profitability, reputation, client retention and project win rates.

When it comes to day-to-day project management best practices, the expectations of what constitutes a successful project haven't changed. Projects need to be delivered on time and within budget and scope to ensure a healthy cash flow, customer satisfaction, repeat business and an excellent reputation in your industry.

There are some key KPIs your firm should be measuring that specifically focus on the success of your project delivery, such as project overrun, projects on schedule and effective billing rate.

In 2023, on-time project delivery **decreased from 76.2% to 75.7%.**

2024 SPI PROFESSIONAL SERVICES MATURITY™ BENCHMARK REPORT

Utilisation Rate

What?

The utilisation rate shows the percentage of an employee's available time that's used for productive, billable work. This is a critical metric for A&E firms to track to measure charging efficiency and understand whether the firm is billing enough to cover its cost plus overhead.

Understanding utilisation rates at a firm and individual level can help with forecasting, resource optimisation, and many other essential business functions.

How?

To calculate utilisation rate, divide labour costs against project-related hours by the total hours worked and then multiply by 100.

Utilisation Rate = (Direct Labour Costs (project-related hours) / Total hours worked) × 100

Who?

The CFO and finance team or the operations team/program manager should be able to provide details of the firm's overall utilisation rate.

26%

of A&E firms that monitor utilisation rate feel that they are not tracking it well enough.

5TH ANNUAL UK AND ANZ DELTEK CLARITY REPORT

A quarter of architecture and engineering firms feel that limiting project cost overruns would **significantly increase their profitability**.

5TH ANNUAL UK AND ANZ DELTEK CLARITY STUDY

Projects On Budget/Cost Overrun

What?

Monitoring projects on budget, sometimes known as cost overrun, enables A&E firms to see if their projects are being delivered on budget.

Project cost overruns kill profitability and limit the capacity to launch new projects. A high overrun typically correlates with decreased customer satisfaction and indicates that a firm's project management, planning and delivery processes need improvement.

This KPI is crucial for A&E firms to track because it offers insight into whether your firm is costing its projects and managing project resources and budgets correctly. Analysing project overruns provides valuable insights for process improvement and learning from past projects.

How?

Calculating if a project has overrun is simple. You divide the budgeted delivery cost by the actual delivery cost.

Budgeted Cost/Actual Cost

Who?

This is something that your project and/or programme managers should be monitoring closely on a project-by-project basis.

Time Overrun/Projects on Schedule

What?

As well as delivering projects on budget, you need to ensure that they are delivered within the agreed timeframe. Projects that suffer from time overrun, i.e., are not delivered on schedule, can result in decreased customer satisfaction, delay the kick-off/delivery of other projects and impede cash flow. Time overrun can also increase the cost of delivery and result in more projects being delivered over budget.

Time overruns can occur due to delays in project execution, running into unexpected issues, changes in requirements, or resource constraints.

Firms need to monitor this KPI in a few different ways – from an aggregate level across the business, down to the individual project level.

How?

There is no set formula for this KPI. Instead, the right systems, processes and reporting need to be in place to support effective project planning, management and monitoring and ensure projects are delivered as expected for both the client and the firm.

This comes down to efficient project planning and management and regularly tracking the right metrics, such as progress against agreed-upon project schedules.

Who?

Monitoring the number of projects on budget and schedule should be the responsibility of the project manager.

64% of architecture and engineering firms surveyed track on-time delivery of projects.

5TH ANNUAL UK AND ANZ DELTEK CLARITY STUDY

Project Margin

What?

Measuring project margin is vital for A&E firms to assess project profitability and make informed financial decisions. It involves calculating the difference between project revenue and costs, enabling firms to evaluate financial performance and set appropriate pricing strategies.

Project margin analysis helps in allocating resources efficiently, prioritising higher-margin projects, and identifying potential risks associated with lower-margin projects. It also guides efforts to improve project management and cost control across the firm.

How?

To calculate project margin, you need to take the revenue generated by the project and divide it by the cost of delivering the project.

Project Margin = Project Revenue/Project Cost

Who?

This is something that your project team and, specifically, the project manager should be calculating on a project-by-project basis.

Professional services organisations, including A&E firms, should be aiming for a project margin of **40%**.

2024 SPI PROFESSIONAL SERVICES MATURITY™ BENCHMARK REPORT

28%

of architecture and engineering firms listed attracting and retaining talent as one of their top priorities.

5TH ANNUAL UK AND ANZ DELTEK CLARITY REPORT

KPIs for Talent Acquisition and Retention

Talent management is a hot topic for A&E firms. In fact, 28% of architecture and engineering firms surveyed for the **5th Annual UK and ANZ Deltek Clarity Report** confirmed that attracting and retaining talent is one of their top priorities.

Over half (57%) of firms are also planning to grow their team in 2024. To do this, they need a robust strategy to attract and retain talent across the business and monitor progress towards their goals.

There were several talent management challenges identified by the A&E firms we surveyed that need to be considered when identifying and tracking relevant KPIs:

- Difficulty in attracting and retaining talent (45%)
- Lack of work/life balance (41%)
- Lack of employee engagement (40%)
- Resignations/employee churn (37%)

If you have plans in place to improve how your firm attracts and retains talent, there are some key KPIs that you can measure to ensure that you are on track to meet your staffing and resourcing goals.

Employee Turnover Rate

What?

With 37% of A&E firms concerned that employee churn will prove detrimental to their organisation, and challenges of employee recruitment and retention continuing, it's important that you know your own employee turnover rate and what is behind the metric.

This KPI helps you benchmark your firm against industry norms and identify how your turnover rate compares to other firms like yours in the industry. This, in turn, can help with scenario planning and enable you to be more proactive than reactive when employees leave the business. Firms can also use this as an opportunity to uncover bigger problems than a number can show or leverage this as a positive when recruiting if the numbers are lower than average.

How?

This KPI can be calculated on a monthly, quarterly, or annual basis to identify patterns over specific time periods. The formula is simple:

Employee Turnover Rate = (Total Number of Leavers (over a specific period)/Average Number of Employees (over the same period)) x 100

Who?

This is something that your HR department is probably monitoring regularly.

37% of A&E firms feel that employee churn is detrimentally affecting their organisation.

5TH ANNUAL UK AND ANZ DELTEK CLARITY REPORT

57%

of A&E firms are planning to increase headcount in 2024.

5TH ANNUAL UK AND ANZ DELTEK CLARITY REPORT

Staff Growth/Decline

What?

Your staff growth rate measures how much a company has grown or receded over a specific period. A positive number shows that the company is growing, and a negative number reveals a negative growth rate, which means that the number of people leaving is greater than the number of new employees joining the company.

How?

You can calculate your company's growth rate by comparing the number of employees at two different points in time and dividing that number by the number of employees at the second time interval. The growth rate is usually expressed as a percentage.

For example:

Growth Rate = (Headcount End of Year – Headcount Start of Year) / Headcount Start of Year x 100

Who?

As this requires access to headcount figures over set periods of time, your HR department will be best placed to help.

Employee Satisfaction

What?

Measuring employee satisfaction is crucial for A&E firms if they want to create a positive and productive culture and work environment. Employee satisfaction levels impact employee retention and the ability to attract top talent, and high levels of satisfaction correlate with higher productivity and performance.

Satisfied employees are more open to development opportunities and contribute to a culture of innovation and creativity. Overall, if employees are happy and engaged, they will stay with your business, be productive and contribute towards the firm's success.

Measuring employee satisfaction is essential if you want to avoid employee churn. Monitoring **staff growth/decline** can help, but talking to your staff regularly about their experience at your firm can give you much more personalised insight.

How?

While there is no specific KPI to measure how satisfied and engaged your employees are, there are a couple of activities we recommend. Firstly, regularly survey your employees anonymously to gauge morale across the firm. Secondly, conduct regular retention interviews with staff and provide a safe space for them to discuss the pros and cons of working for the organisation. And, most importantly, act on the information that you gain.

Who?

Your HR team should take the lead on any initiatives to monitor employee satisfaction, but people managers and the leadership team should also take an active role.

Lack of employee engagement was listed as a talent management challenge by **40%** of architecture and engineering firms.

5TH ANNUAL UK AND ANZ DELTEK CLARITY REPORT

Get Started with Measuring Your KPIs

A **project-based enterprise resource planning (ERP)** solution is the most efficient way for architecture and engineering firms to monitor and report on their KPIs. By integrating information from all projects across the business, project-based ERP allows for full transparency and more accurate reporting, as data is drawn from one central repository.

Creating a dashboard within your project-based ERP allows you to set the amount and type of data that each person sees and in what format. This system makes your team accountable for monitoring their own KPIs, making them more effective and easier to manage.

To learn more about the challenges impacting A&E firms,
Download the 2024 Professional Services Benchmark Report >

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