

INTERNAL WORKING PAPERS — PROFITABILITY MODEL STANDARD (EXTRACT)

Halcott & Reese Advisors · Advisory working paper WP-14 · Version 6 · Maintained by Dana Whitfield

1. PURPOSE

This paper sets the standard build for the engagement-level profitability model used on every advisory profitability review.

2. DATA SET

Required inputs: three years of revenue by client and by service line; payroll by person with billable and non-billable hours; direct engagement costs; overhead schedule; the last eight proposals won and lost.

The engagement cannot proceed to modelling until the client's finance lead confirms the data request is complete in writing.

3. COSTING RULES

Staff cost is fully loaded: salary, employer taxes, benefits, and an allocation of non-billable time at the individual's own cost rate.

Overhead is allocated on direct labour dollars, never evenly across service lines.

Partner time is costed at the partner's own loaded rate even where it was not billed.

4. EVIDENCE RULE

Every headline figure in the model carries a source reference to the client file it came from. Figures without a source reference are removed before review.

5. OUTPUT

The model produces margin by engagement, by client, by service line, and by responsible partner, plus a ranked list of margin leaks with a dollar value against each.

6. REVIEW

The lead partner signs the model before any narrative is drafted. A second partner reads the finding list before client delivery.