

WHITEPAPER:

Improving Financial Performance Through Daily Time Tracking

Author: Alex Glassey, MBA

Executive Summary

Professional services firms who embrace the concepts of daily time tracking and weekly project reviews can markedly improve their financial performance. When implemented properly these concepts help firms of all sizes boost cash flow and improve revenue. A firm can transform their economics in as little as 60 days.

Introduction

Like most businesses today, the recession negatively affects professional services providers like consultants, architects and engineers. However many of these firms can immediately improve their financial performance by making simple changes that significantly enhance their administrative practices.

What's the secret? Simply ensure that all staff and sub-contractors record the time they spend on projects by the end of each day using appropriate software.

Does this sound too good to be true? Let's examine each of these benefits in greater detail.

Increase Your Billings

Daily time tracking will increase your firm's billings virtually overnight.

By recording time at the end of each day billable time doesn't get forgotten. Compare this with recording time at the end of each

week or month: it's just too easy to forget a couple of minutes of review here and a short phone call there. Time tracking studies suggest that firms moving to daily tracking (from weekly or monthly tracking) typically improve their billings by between 5 and 10% and as much as 20%.

In addition, asking staff to record their time every day sends a message that your organization is serious about complete and accurate billing. This puts subtle but firm pressure on staff to properly record billable time.

If your firm works on a series of client projects, you can experience the following benefits by implementing daily time tracking:

- **increase billings between five and ten percent;**
- **accelerate cash flow;**
- **reduce administrative time for all staff;**
- **improve project management;**
- **reduce cost over-runs; and**
- **increase client satisfaction.**

Daily time tracking results in greater accuracy and professionalism. If your staff isn't recording time daily, your firm may record billing mistakes due to faulty memory or transcription errors. Your clients will notice which could give rise to conflicts.

Tracking time every day raises billings, increases billing accuracy, and reduces potential billing disputes.

Speed Up Your Cash Flow

Daily time tracking helps to speed cash flow by at least several days and often several weeks.

Tracking time each day is a simple matter that takes a few minutes when everything is fresh in people's memories.

However, when left to the end of the week – or worse, the end of the month – time tracking becomes a significant burden. It may require a half hour or even an hour to recreate the timesheet by combing through a calendar and sifting through one's memory.

Because it takes so long, and because it's such a chore, creating the weekly or monthly timesheet is often postponed. This delay can stretch for days or longer. In addition, these delays create conflict between the administrative staff and professional staff mainly because invoices can't be created until the last timesheet has been received. Consequently, a firm's entire cash flow cycle depends on the last person who submits their time records.

To further complicate matters, monthly timesheet collection is often done via paper or spreadsheets. As a result, considerable administrative time is required to sort timesheets by client and project and then use this information to create an invoice. Valuable days are lost during this time-consuming process.

By moving to the discipline of daily time tracking and by using appropriate time tracking software, a firm ensures that its invoice preparation process begins on the first working day of the month and is completed soon after.

In addition to speeding cash flow these streamlined processes can impress clients. If they receive invoices in a more timely fashion, clients can better manage the financial aspects of their business.

Improve Your Project Management

Daily time tracking contributes to significantly improved project management.

Projects should be tracked along at least three dimensions: due dates, time spent, and budgets. Without daily time tracking projects can only be managed by due dates. Many project managers will tell you in frustration that it's possible to complete a project on time and yet overshoot the budget.

Many firms who don't track time daily are still able to do a post-mortem on projects and so are able to determine how financially successful a completed project was. While valuable, post-mortems are unable to help the project that is now completed.

Worse are situations where no financial post-mortem is performed.

This happens in firms that don't track time at all such as firms that work on fixed price contracts.

Without project-level financial tracking the firm is then only able to monitor its financial performance by its income statement or, worse, its bank account. By this time, the ability to identify and solve project-level problems has long passed.

Daily time tracking, in conjunction with appropriate software, supports the project manager who can now pro-actively manage time and financial budgets as part of his or her weekly review. Potential budget issues are identified sooner. Over-runs that are the firm's responsibility can be mitigated sooner. Over-runs that are the client's responsibility can lead to additional revenue.

Even firms that perform fixed price work will benefit. By attaching representative costs to their staff time they can assess each project and determine which types of projects and clients are more profitable.

Finally, by keeping on top of projects, subsequent write-downs, write-offs and client disputes are reduced or avoided. Not only does this protect the firm's financial interest, these reviews strengthen the firm's relationships with clients who appreciate well-run projects.

Improve Your Firm's Culture and Overall Performance

It may seem to over-reach, but moving to daily time tracking can profoundly affect a firm's culture and overall performance. These changes have long-lasting positive benefits and can significantly differentiate one firm from another.

Firm profitability improves when daily time tracking and weekly project reviews push accountability down to project managers. This is entirely expected: overall firm profitability is simply the sum of the profitability of all projects. A series of well-run projects contributes to a well-run firm.

Accountability is also pushed down to individuals who must account for their time each day. Performance variances between staff can be better highlighted. A subtle self-correcting mechanism is put in place when people are required to account for their time.

By keeping detailed track of projects, firms create a history of project performance that can be reviewed when bidding for similar projects. Project histories allow a firm to change the cycle from propose-deliver-repeat to propose-deliver-measure-analyze-improve-repeat. Firms with this culture inevitably get better at what they do.

Without necessarily realizing it firms are harnessing a powerful model by starting to use these techniques: corporate alignment.

Align Your Staff with the Overall Corporate Strategy

The holy grail of great companies and great firms is reached when all staff work together to achieve the corporate strategy. One way of doing this is using metrics to align individual staff performance with corporate goals such as profitability and shareholder return. For time-based firms, daily time tracking acts as the foundation of this alignment.

Without the disciplines of daily time tracking and weekly project budget reviews, a firm is largely managed by senior management through financial statement reviews. As discussed, these reviews come late in the game making it difficult to determine if problems exist and how to find them. Firms may even believe that their profitability is acceptable and yet, with better aligned staff and systems,

they might increase their profitability significantly.

Daily time tracking, along with basic project profitability metrics and weekly personal utilization goals, ensures that firm profitability becomes everyone's concern. By setting individual- and project-based goals and providing the tools to manage them, staff efforts are aligned with corporate goals.

Conclusion

Professional services firms who embrace the concept of daily time tracking and weekly project reviews can markedly improve their financial performance. The concepts discussed in this article apply to firms of all sizes. Properly applied, they create immediate cash flow and revenue improvements and become the foundation that transforms the economics of the firm.

About the Author

Alex Glassey, serial entrepreneur and Kellogg MBA, is the founder and CEO of [Projex Software Corporation](#), which offers integrated web-based [professional service automation software](#) for small- and medium-sized professional service firms. Alex is also the founder and principal of Glassey Consulting which focuses exclusively on corporate strategy. He can be reached at alex.glassey@gmail.com.