



Polaris



THE ULTIMATE GUIDE TO **Billable versus Non-billable Time**

How to Improve Professional Services Organization
Efficiency and Profitability Through Automation

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Introduction

If one conversation topic can be heralded alongside religion and politics as subjects never to discuss in social settings, the likely candidate is money. Many people feel awkward discussing it, everyone has an opinion about it, and no two perspectives are exactly alike.

Not surprisingly, money conversations create tension in work settings as well.

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For those with careers in professional services, the nature of the business requires fairly regular discussions around hourly rates, monthly retainers, and project-based fees, which can often feel uncomfortable, especially during the early part of one's career.

Once contractual terms are agreed upon, the next administrative challenge may be the process of figuring out **project billables**—what time can be billed versus what is considered non-billable time—which also becomes a headache, especially if multiple workers' timekeeping and rates are involved.

And even when THAT challenge is sorted, the invoicing process can create a tertiary test of wills and persistence, both for sending bills and for receiving payment in a timely manner.

The good news is that adopting best practices around billables can help make the entire process easier. With a clear understanding of what can be billed to clients and how to best invoice, your business can streamline operations, improve its overall efficiency, and experience higher profitability.



Keeping track of billable/non-billable hours can be difficult in addition to timekeeping for multiple workers, projects, and rates.

This Ebook explains general guidelines that may be used for distinguishing between billable and non-billable hours, suggests methods for being strategic with work hours, and offers advice for saving time, money, and effort on billables.



The Billables Difference

Let's start with a simple truth: "hours worked" never corresponds directly to "billable hours." Even the most efficient person in the world must spend time on tasks that are not billable, which means that some percentage of the activities performed in the workplace will always equate to lost revenue.

With those expectations set, what business tasks constitute billable versus non-billable activities?

Activities deemed billable

- Project planning
- Client communication and meetings (both scheduled and unplanned)
- Research
- Production work
- Revisions and edits

Activities commonly considered non-billable

- Internal meetings, calls, and emails
- Networking and prospecting for new clients
- Marketing and advertising
- Administrative tasks like paperwork, filing, invoicing, and expense tracking
- Certain types of correspondence and communication
- Bug fixing or code refactoring
- Education and training

Keep in mind that these activity classifications are recommendations, not hard-and-fast rules. If you want to abide by one general standard, think about billable hours as "pure project work" that can be included on an invoice without fear of the client raising a red flag. Another way to think about it is, would you be performing or completing a certain task if this particular client didn't exist? If not, chances are that you can safely bill it.

Your next natural question may be something along the lines of, "Ok, so how much time is being billed to my customers today versus actual work time?"

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The commonly-held estimate of billable time lies somewhere between **60-80 percent**, which is known as the utilization rate. While that range may seem large (it is) and anything under 80 percent may sound low (it does), non-billables vary by industry, and many tasks deemed non-billables actually help companies grow. Some non-billables allow employees to remain current and inspired through training and team building activities, while other non-billable tasks keep the business running smoothly by bringing in client payments in a timely manner.

With that said, non-billables can also represent a potential source for additional revenue and profit without adding headcount. Even companies that run at a high utilization rate can benefit from adopting timesaving practices that modernize operations and minimize time-consuming tasks.



Increase Billables, Decrease Headaches

Let's look at three strategies to help your business increase billables. We will start with a smart software investment idea, look at ways to decrease non-billables with careful future planning, and conclude with how to automate non-billable administrative duties such as billables tracking and invoicing.

One. Invest for Success

Ever find it challenging to remember what projects or tasks you were working on a couple days ago? What about a couple hours ago? Can you remember exact time increments spent on a project?

For most people, tasks start to bleed together by the end of the work day; with the advent of multiple communication methods, it's even harder to keep track of where all the time goes. If you are someone who remembers these details (very impressive!), why would you want to waste time trying to recount and capture that information after the fact?

Even when individual workers capture hours in a spreadsheet or Word doc (or with pen and paper), someone still needs to spend valuable time aggregating billables. That process is complicated by different rates per worker and potentially per project—not to mention the “human factor,” which may include missing or incomplete information, as well as delays in receiving hours from each worker.

Worse yet, the overall perspective regarding how many hours have been spent on a project and how much of

the budget has already been used is completely lost when real-time information isn't available. As [McKinsey & Co's](#) research with the University of Oxford concludes, “large IT projects run 45% over budget and 7% over time, while delivering 56% less value than predicted.” These results were consistent across industries and illustrate the challenge with tracking projects.

When business success depends on precise time-tracking, the need for tools that capture time seamlessly becomes even more important. Too often, the work day gets away from people, and best guesses are used to track billables when memories are at their worst.

- Save time and wasted effort by employees and payroll personnel when everything associated with time and billing is automated.
- Understand an employee's contributions—both to individual projects and the overall health and success of the business—by viewing his or her utilization rate and productivity.
- Assess the health and status of a project in realtime by watching project progress in comparison to hours spent by employees.
- Allocate (or reallocate) your best resources based on clients who contribute the most to your revenue.
- Capture the true cost of projects and utilize the aggregated data to ensure that [future project estimates](#) are more accurate.

Two. Track Non-Billable Hours

Any business that wants to improve their bottom line should first determine their utilization rate today; this requirement can be achieved by tracking employee time on both billable and non-billable tasks. Once you've ascertained the current situation, it's easier to look at the non-billable hours and determine methods for improvement.

By examining non-billables, you may discover some interesting trends, both at a macro-level (too many meetings) and at an individual-level (lagging skill sets). With a full view of the situation, you can start to shift priorities and set guidelines for different tasks such as:

Meetings

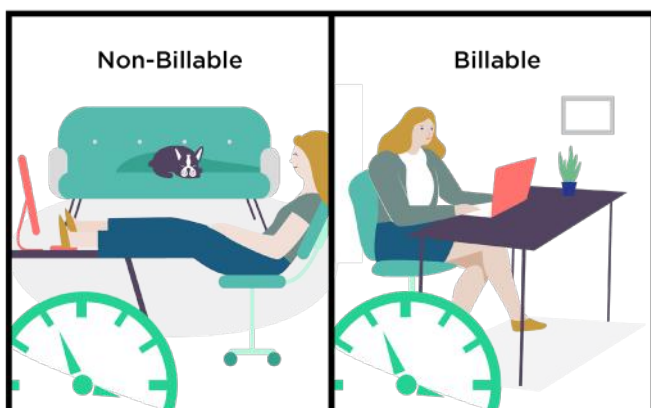
- How much time does each team member spend in meetings?
- How much of that time is necessary for client projects?

Training and skill set development

- How much time would ideally be devoted to training?
- Do employees have time set aside to learn new skill sets in order to stay relevant?

Team activities

- Do you allocate time for team bonding and communication development?
- How do you ensure that your team works well together?



These types of non-billable activities can both boost and harm morale, depending on the number of hours devoted to the tasks and how they make employees feel about their work and the team. Adjust and make changes to see what works best, and make sure to track these non-billables over time. With insights come the ability to improve the situation for everyone.

Three. Automate, Automate, Automate



Administrative duties are never going to be billable tasks, so why not minimize their impact through automation? By adopting a scalable solution that is easy to use and deploy, you will soon see how efficient and sustainable an automated software solution can be.

- Employees are given back the valuable time they spend keeping track of their hours and tasks, which means that potential billable hours increase as employee frustration decreases. Win-win.
- Managers have insight into project progress and profitability to date, which allows for adjustments to be made.
- Payroll no longer needs to aggregate disparate sources of data in order to bill clients. Additionally, a comprehensive system manages hourly billing rates by employee to ensure that the right amount is billed for hours worked.
- Clients receive automated invoices that are consistent and informative. Bonus: clients are less likely to object to project costs when they can clearly see how hours have been allocated.
- The company benefits from minimizing non-billable hours and from sending invoices in a timely fashion every month.



Conclusion

With a software solution that centralizes time capture, eliminates the challenges of a manual system, streamlines billing and invoicing, and provides real-time insights into your company's productivity and profitability, you'll wonder how you ever functioned without an automated software solution.

This improved efficiency not only has an impact on your billables, but you'll also have happier employees who don't feel like they are wasting time and instead can focus on the work at hand. With visibility into your operations and projects, your business is on the right path to improved profitability and delighted clients.

The only question left: can you afford not to automate?

CASE STUDY:

Fisher Vista realizes 85% gain in workplace productivity with Polaris



About Polaris

Polaris, the world's first Self-driving PSA, has created a new category for Professional Services Automation. For the first time, leaders get intelligent help with decision making as Polaris does the heavy lifting, analyzes real-time data, and delivers live recommendations on the best possible choices for them to decide from. Polaris is created by the team at Replicon, the Time Intelligence company, with over 25 years of industry leadership in enterprise time tracking. Replicon supports thousands of customers across 70 countries, including PwC, SAS, NTT, NSC Global, Omnicom, and Aon.

To learn more, visit www.polarispsa.com

Want to try it for your business?

Watch a live demo now. Free one-on-one support is available throughout the trial:

www.polarispsa.com/live-demo

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