

Leveraging Time Tracking to Boost Utilization and Revenues

Maximizing Billable Hours the Key to Growth

In consulting or engineering firms the knowledge, skill, and experience of staff is critical to corporate growth and customer satisfaction. The work these skilled professionals perform is the primary source of revenue. A key strategy to company growth and success, therefore, is to maximize billable projects and hours. And the key to drive revenue growth is Utilization. Making every employee aware of utilization, billable hours, accurate time keeping and key projects, can dramatically improve an organization's productivity. Timesheets have a unique ability to help improve utilization rates and generate additional revenue.

Utilization Rate: The Key Metric of Productivity

For consulting companies, revenues are based primarily on two factors: 1) billing margin (billable hourly rate less the consultant's hourly cost), and 2) consultant utilization rates. Billing margin can be adjusted to increase revenues by either charging clients more or by paying consultants less. Either way may damage relationships with perhaps minimal increases in revenue.

The more efficient way is to improve consultant utilization rates. The utilization rate is the key metric of consulting productivity and is the relationship between billable hours and working hours available.

$$\frac{\text{Billable Hours}}{\text{Working Hours Available}} \times 100 = \text{Utilization Rate}$$

Thus, a utilization rate of 75% means that of all the hours potentially available for productive work, 75% were billable, while the remaining 25% were spent on non-billable activities. In other words, the more billable hours the company as a whole or each consultant works out of the total hours available, the greater the revenue generated. Utilization can therefore have a significant impact on a company's revenues and profitability. Successful companies are those that can improve it.

How Should Businesses Use The Utilization Metric

Utilization rates provide a barometer of corporate productivity and revenues - the higher the rate the more productive the company. When rates slip, so does revenue and profitability. By keeping an eye on them, executives not only focus on revenue generation, the primary strategic goal of the company, but also keep their finger on the pulse of corporate performance. Utilization rates thus provide valuable information for making key strategic decisions. Improving the utilization rate is a strategic initiative that has an immediate impact on the corporate bottom line. A decline in the rate is a call to action.

Utilization rate is similar to another commonly used, and easy-to-calculate, metric of corporate productivity: Revenue Per Employee. As an average, however, Revenue Per Employee doesn't tell you who the superstars are, or who the under-achievers are. The utilization rate, likewise, is an average. It can tell you when productivity for the company as a whole is slipping, but it can't tell you who is performing and who is not. It can tell you that action is needed, but not where it is needed.

Maximizing Utilization

The key to knowing where to make changes is to know the utilization rate for each consultant. With this information the decision becomes easy: motivate the consultants with low utilization rates to improve, or make cutbacks. Layoffs will bring the average utilization rate up by not only retaining the most productive consultants (i.e. those with the highest utilization rates), but also by allowing the most productive consultants to pick up any slack. The average utilization rate will rise, productivity will be greater, revenues per consultant will increase, and everyone will be happy.

Although knowledge of an individual's utilization rate makes the decision as to who to let go simpler, it does not make it any more pleasant. And it is always senior management who have the responsibility for making it. Wouldn't it be nice if layoffs were unnecessary, if it never got to this stage? The preferred alternative is to motivate consultants to improve their utilization.

But how? Wouldn't it be nice if the consultant was always self-motivated to work to maximize their billable hours; if they took responsibility for their own utilization rate.

The only way they can do this is if they know what it is in real time. And the only way they can know what it is, is if they track billable versus non-billable time and calculate their rate. This itself can be a painful, time-consuming, non-billable activity. What is needed is an easy-to-use tool that tracks time and calculates their utilization rate. That tool is a timesheet.

Transform Corporate Goals into Resource Targets

Corporations can increase billable time just by having their consultants fill in a timesheet. Previously missed billable hours - leakage - can now be captured. This alone will usually more than pay for the cost of the timesheet application. But there is more to it than just filling in a timesheet to capture lost billable hours.

Filling in a time sheet can transform strategic business goals into personal goals for every employee. When consultants fill in a timesheet that calculates their utilization rate and makes it available to them, they know how well they are performing relative to their targets. This knowledge

is empowering and energizing. When they know their utilization rate they focus on achieving their target - on increasing the hours they have to bill. They begin to think and act strategically. Successful companies are those where every consultant is focussed on a single strategic purpose: revenue generation. If their utilization rate falls, they - not senior management - have to figure out how to improve it and take action. In short, they know when they can afford to play golf and when they have to work.

Replicon's Web TimeSheet

Replicon's Web TimeSheet is an easy-to-use, web-based, time tracking software that enables companies to manage their utilization rate successfully. By providing the utilization for each consultant, Web TimeSheet supplies senior management with valuable information for making strategic decisions. Utilization trend tables for individuals, departments, and the company as a whole, (coming in 4.1) allow executives to monitor trends and take action proactively.

Web TimeSheet also transforms strategic business goals into personal goals for every employee. Managers simply set up a personal target for billable hours for each employee or consultant. Every time they update their timesheet, a thermometer-style graph of their utilization rate clearly reminds them how close they are to achieving their target. They know, every day, whether they are below target, on target, or above target.

By being informed they are not only empowered with the knowledge of the company's goals for revenue and growth, but they also take them on as personal goals, energizing them to meet monthly revenue targets and to make the organization succeed. Web TimeSheet engages all employees to take on the responsibility for the strategic goals of the business. They know what action to take.

Companies can increase billable hours per consultant by 10% or more just by having consultants fill in Web TimeSheet and empowering them with the knowledge of their own utilization rate. What is this worth in increased revenue? Make every employee count.

About Replicon

Replicon, the Time Intelligence™ company, has over 20 years of industry leadership and is pioneering a new approach to time management. Time Intelligence elevates time as a strategic asset within an organization, to improve operational productivity, performance, and profitability.

Replicon's Time Intelligence Platform offers solutions for global time and gross pay compliance, enterprise time management for ERP, professional services automation, and an SDK for continued development - expanding the company's award-winning portfolio of cloud-based products, including complete solution sets for client billing, project costing, and time and attendance.

Replicon supports thousands of customers across 70 countries, with over 400 employees around the globe including the United States, Canada, India, Australia, and the United Kingdom.

For more information, contact us:

Toll Free:

North America 1-877-662-2519

Global +800 6622 5192

info@replicon.com

www.replicon.com