

Time *IS* Money

A revealing study into the cost for marketing agencies of today's poor time tracking habits — and how to increase billable revenue and profit margin.



Introduction

While the phrase “time is money” is true to many people in business, nowhere is it more true than in the professional services sector, which includes marketing professionals, lawyers, accountants, consultants, designers, engineers and architects. All of these professionals need to keep track of the time they spend working on projects, issues and retainers for their clients. Unfortunately, though, this critical part of their jobs hasn’t really evolved much over the last couple of decades. Professionals are still required to remember how much time they spent working on certain projects for a variety of clients, and enter it manually, often days after they did the work.

To help understand the scale of this problem, Accelo commissioned a survey to ask professionals about their time tracking habits and accuracy. We found, unsurprisingly, that the main reason professionals have poor time tracking habits is that it is cumbersome to do. Most timesheet tracking exists as independent systems, requiring professionals to go out of their way to access and complete. Additionally, the process of tracking time itself typically requires professionals to remember exactly what they’ve done over the course of a week or more. Technology hasn’t automated or made the process much easier in the last 30 years, which is why many services professionals dread filling out timesheets.



But what is the effect of this disappointing situation? By combining this new data with existing studies of work patterns and volumes, Accelo has been able to paint a picture of just how much outdated timesheet technology is costing American businesses and the results are startling.

Through the data, we've been able to identify three major costs of the current manual, memory-based way of completing timesheets:

- Email causes professionals to leak over \$50,000 in revenue per year
- Meetings and calls cause professionals to leak over \$32,000 in revenue per year
- Moving from weekly (or worse) timesheet updates to daily (or better) would recover \$52,000 per professional, per year in billable time.

Given the size of the professional services sector, this is costing the U.S. economy over 50 million hours or \$7.4 billion a day in lost productivity. By capturing this lost time, a 15-person professional services firm could add another \$1.4 million to their top-line every year. We finish our report with a series of recommendations of practical steps professionals can take today to recover some of this lost time and productivity.



Findings

The findings below are based on a survey of over 500 professionals conducted in July and August of 2014. The survey was anonymous and restricted to individuals working in the professional services sector. Where external data has been used, it is referenced and linked.

- Email leaks over \$50,000 per professional, per year
- Meetings are better tracked, but still expensive
- Higher Frequency = Better Accuracy, with a twist
- Memory Leak: Moving to daily time entry cuts leakage over 80%

EMAIL LEAKS OVER \$50,000 PER PROFESSIONAL, PER YEAR

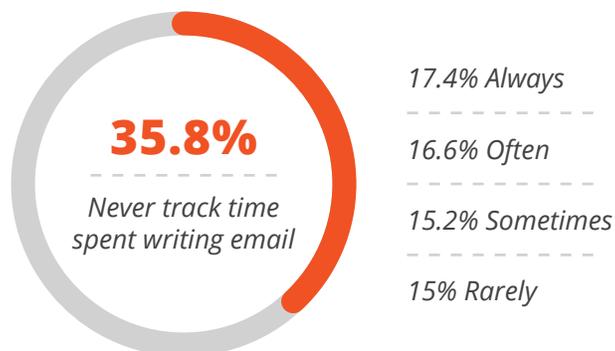
It's proven that reading and answering email takes up a significant portion of our day, especially in a professional services firm where employees are engaging in conversations with multiple clients each day. According to Atlassian, people in a business setting receive an average of 304 emails per week, and McKinsey found that we spend just over 2.6 hours a day reading and responding to those emails. This means more than a quarter of our day is spent on email.

Average days in a work week spent reading email



But, our survey found that when it comes to timesheets, time spent on email is largely ignored. Almost 40 percent of respondents reported never tracking time spent reading and answering emails, and 15 percent rarely do. Only 33 percent of respondents said that they track time spent on email "always" or "often."

Percentage of respondents that track their emails and frequency

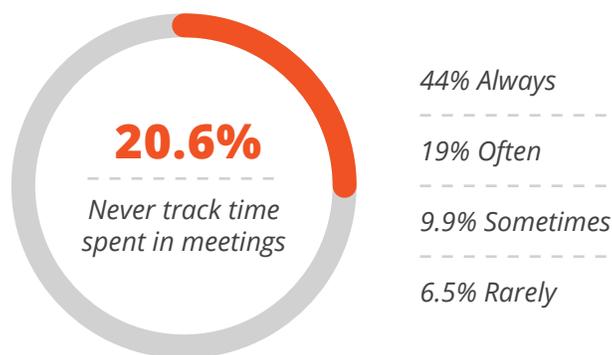


This is costing us big time—more than half of survey respondents indicated that their employer directly uses timesheets to bill clients hourly or to determine retainer amounts. If only a third of respondents are tracking the time they spend on email, and the average professional spends 2.6 hours per day on email, that translates to over 350 hours of email work per year going unrecorded, and therefore, not billed. This means that the average professional services firm, which brings in \$150 per hour, is losing \$52,500 per employee annually due to untracked time spent on email.

MEETINGS ARE BETTER TRACKED, BUT STILL EXPENSIVE

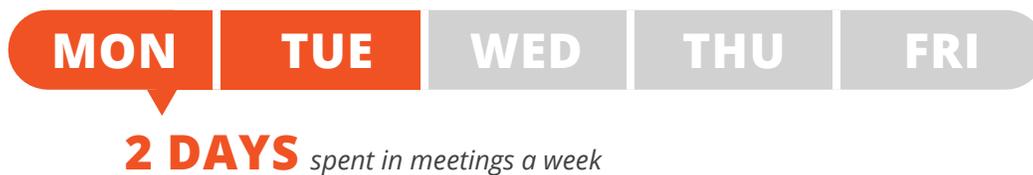
The survey revealed that professional services employees are much more diligent when it comes to tracking time in meetings. In fact, they're almost twice as likely to record time spent in meetings than on email. While frequent time trackers are more likely to record time in meetings, the results did not vary significantly across the board. This is probably because professionals are able to refer back to their calendar to determine how many hours they spent in scheduled meetings when completing a weekly timesheet.

Percentage of respondents that track their meetings and frequency



While survey respondents were more diligent with meetings, the numbers could still be improved. Roughly a quarter of survey respondents said they never track meetings. According to a study from Verizon, the average employee spends about 62 hours a month in meetings, which is about 15.5 hours a week. Which means, if we're not tracking time spent in meetings, almost 40 percent of our work week is going unrecorded.

Average days in a work week spent in meetings

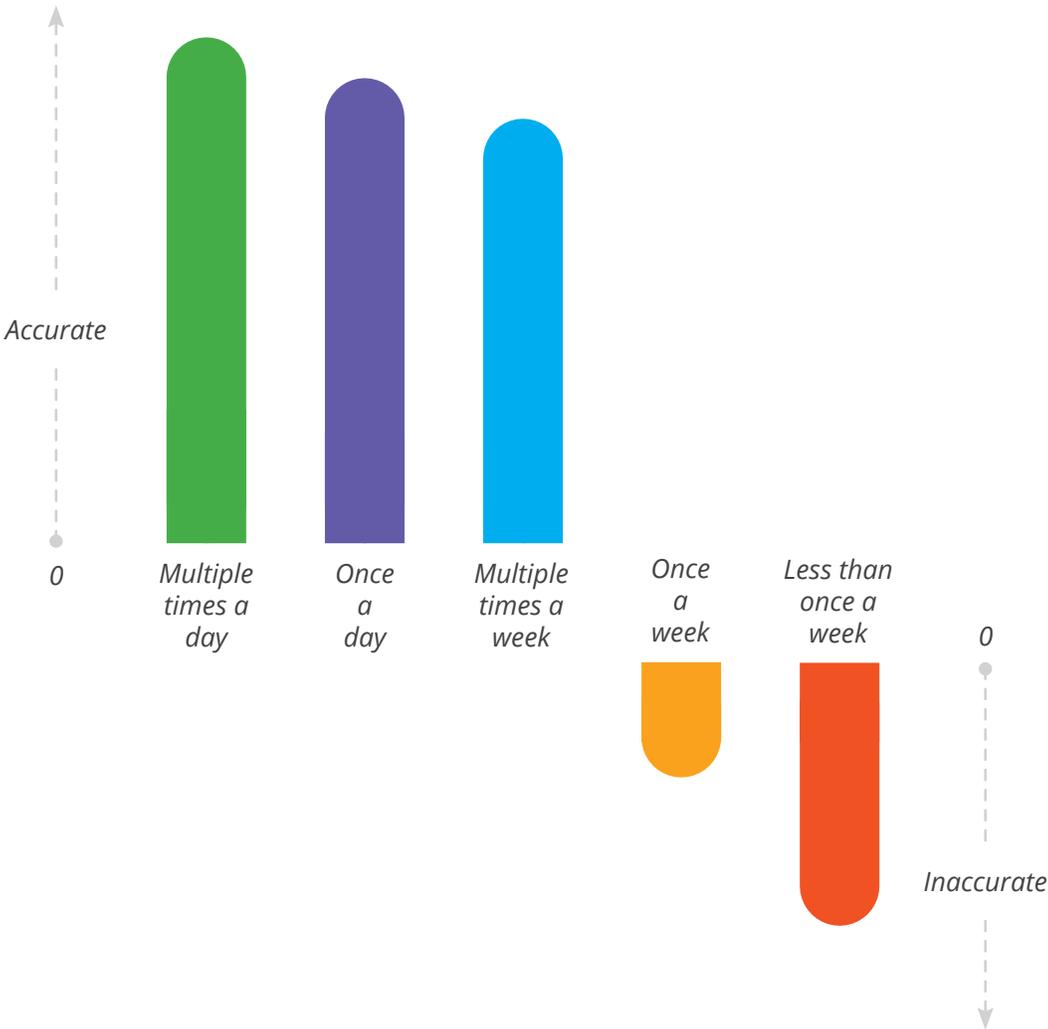


Though people are twice as good at tracking time spent in meetings than email, there is still a significant amount of leaked time and value. We've calculated that over 213 hours a year is "leaked" to time spent in meetings, costing businesses almost \$32,000 a year in foregone revenue.

HIGHER FREQUENCY = BETTER ACCURACY, WITH A TWIST

One of the trends that stood out in the data—and which frankly isn't that surprising—is that people who more frequently completed their timesheets were more accurate at keeping track of their work.

People who fill out a timesheet at least once a day are more accurate than people who fill once a week

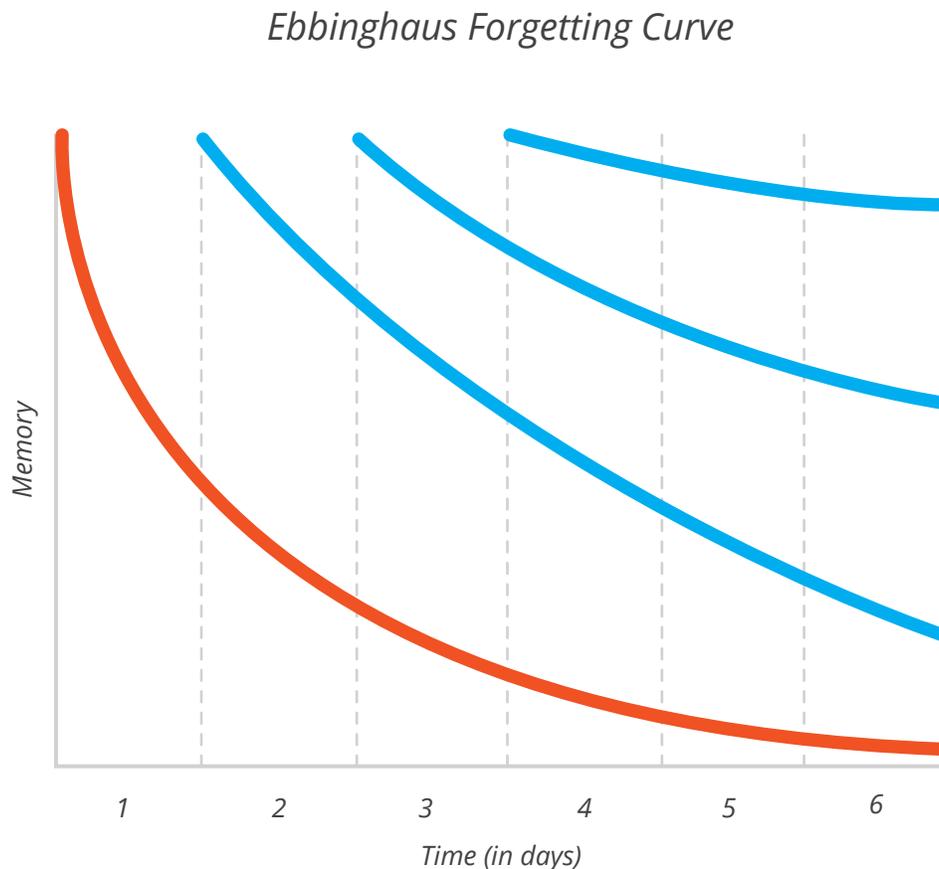


The graph is based on weighted numbers:

Very Accurate: 3 | Somewhat Accurate: 1 | Somewhat Inaccurate: -1 | Very Inaccurate: -3 | Do Not Track: -5

Can you remember what you did last Tuesday?

Science proves that frequency matters, too. According to the Ebbinghaus Forgetting Curve, humans only retain 23 percent of what they learn after six days. This means that it's almost impossible to fill out your timesheet completely accurately if you're only completing it once a week.



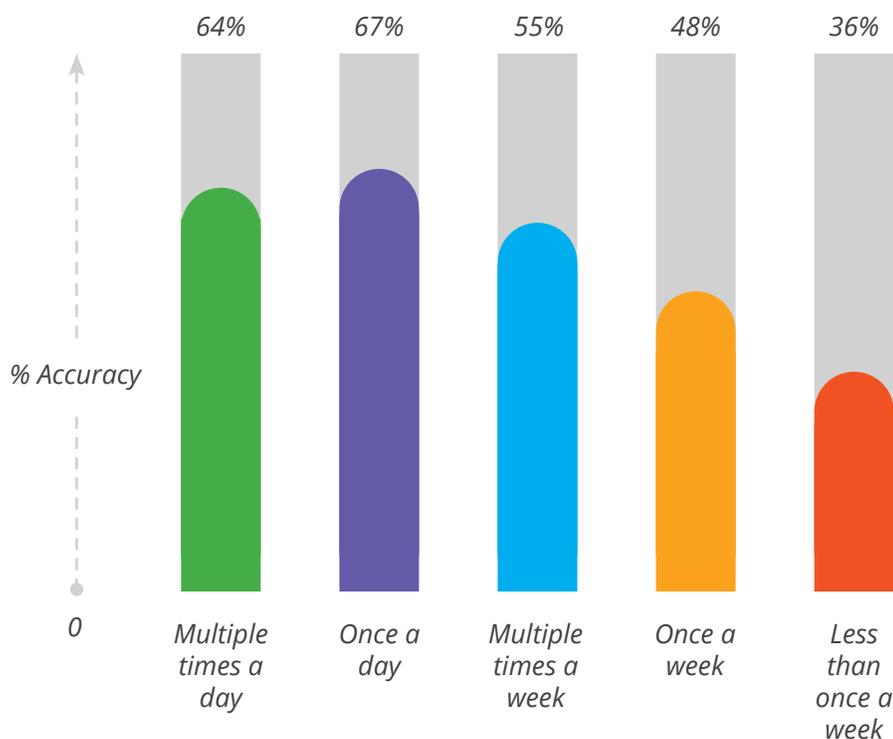
One other interesting observation from our data seems to follow the Dunning-Kruger effect. While the self-reported accuracy of people who completed their timesheets decreased in a fairly predictable manner with reduced frequency (“very accurate” being high for daily or better, and dropping by half for “less than once a week”), the people who self-reported “very inaccurate” was the same (3%) for people who complete their timesheet multiple times a day and as it was for people who complete their timesheet less than once a week. Given what we know about the Ebbinghaus Forgetting Curve, the large percentage of people doing their timesheets weekly or even less frequently are probably over-estimating their own accuracy.

MEMORY LEAK: MOVING TO DAILY TIME ENTRY CUTS LEAKAGE OVER 80%

While we've seen that more frequent timesheet entry leads to greater accuracy, what is the actual cost to the business as a result of tardy timekeeping?

People who log their time at least once a day are 66 percent accurate, people who log their time weekly are only 47 percent accurate, and people who complete their timesheet less than once a week are only 35 percent accurate. In short, getting people to fill in their timesheets daily can double their accuracy, and reduce the "lost" time from 23 percent to less than 5 percent, an ultimate recovery of 80 percent.

Percent Accuracy versus Timesheet Frequency



To put this into numbers, assuming the professional was billing out at \$150 per hour, and they were working a normal 40 hour week, recovering this 18 percent of their week is the equivalent of \$1,080 a week, or almost \$52,000 per year.



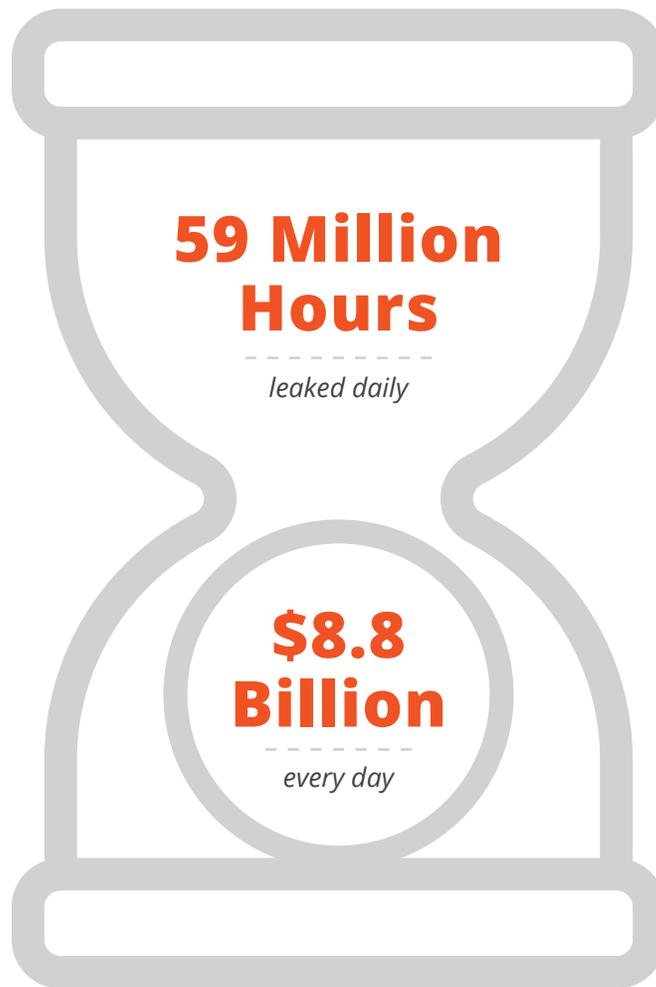
Costs and Consequences

By establishing the amount of productive, paid professional time that is being lost to these various leaks, we're able to examine in the context of both the wider economy and an example professional service business.

SO, HOW MUCH IS THIS COSTING THE ECONOMY?

To put it simply, it's costing the economy a lot. According to the Bureau of Labor Statistics, the United States has over 19.3 million people in the professional service sector today, making it the largest private sector employer in the U.S. Additionally, the sector is the fastest-growing—responsible for almost one in four new jobs created through the recovery from the Great Recession.

In the U.S., 19.3 million people in professional services are leaking 59 million hours at \$150 per hour, resulting in \$8.8 billion lost each day.



Looking across all professionals, the leaked time lost to email, meetings, calls, and faulty memory not being captured in timesheets is 59 million hours every single work day—which if billed out at \$150 per hour would come to \$8.8 billion. Every. Single. Day.

WHAT ABOUT MY BUSINESS?

Those are some big numbers, but let's put it in the context of an average professional service business. Let's say you've got a team of 15 professionals billing out at an average of \$150 per hour. By capturing the leaked revenue from emails, meetings and faulty memory, you'd add another \$1.75 million to the top line every single year—money that would flow straight to the bottom line (since the labor costs are already being incurred).

A 15 employee agency is prone to losing \$1.6 million in yearly revenue to lack of time tracking for email, meetings, and forgetfulness



\$150

Hourly Rate



15

Employee Company



\$1,654,875

Yearly Revenue Leaked



735.5

Total Hours
Leaked Yearly

Breakdown of Hours Leaked Yearly



172.5

Forgetting to
track time



213

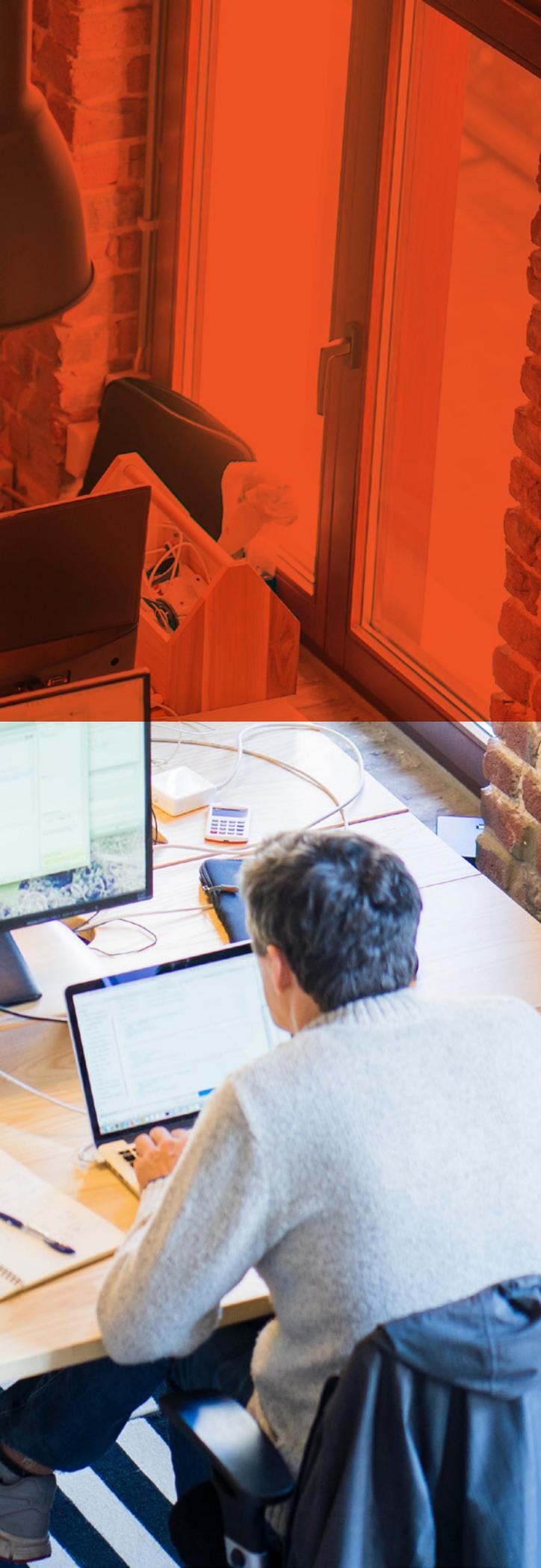
Meetings not
being tracked



350

Emails not
being tracked

Even if your business works on a “fixed price” basis, the hours you’re leaking are costing you one way or another. If you’re not keeping track of the time your team spends on projects (your number one input cost), then you don’t really know which projects, clients, or types of work are profitable. The lack of effective time tracking means lost opportunities to charge clients higher retainer rates or project totals to reflect the actual work you’re doing.



Recommendations

It is clear that businesses stand to grow their revenue per professional by over \$100,000 per year by effectively tracking the time they're currently leaking—so what do we need to do to fix it?

Many professionals lament that timesheets have joined the ranks of “death” and “taxes” as horrible, unavoidable chores. In our experience working with thousands of professionals around the world, the following lessons can help make timesheets less of a painful and inaccurate afterthought and more of a useful part of every professional's daily workflow.

- Automate, Automate, Automate
- Link Timesheets to Key Business Systems
- Make Time Entry Effortless

1. AUTOMATE, AUTOMATE, AUTOMATE!

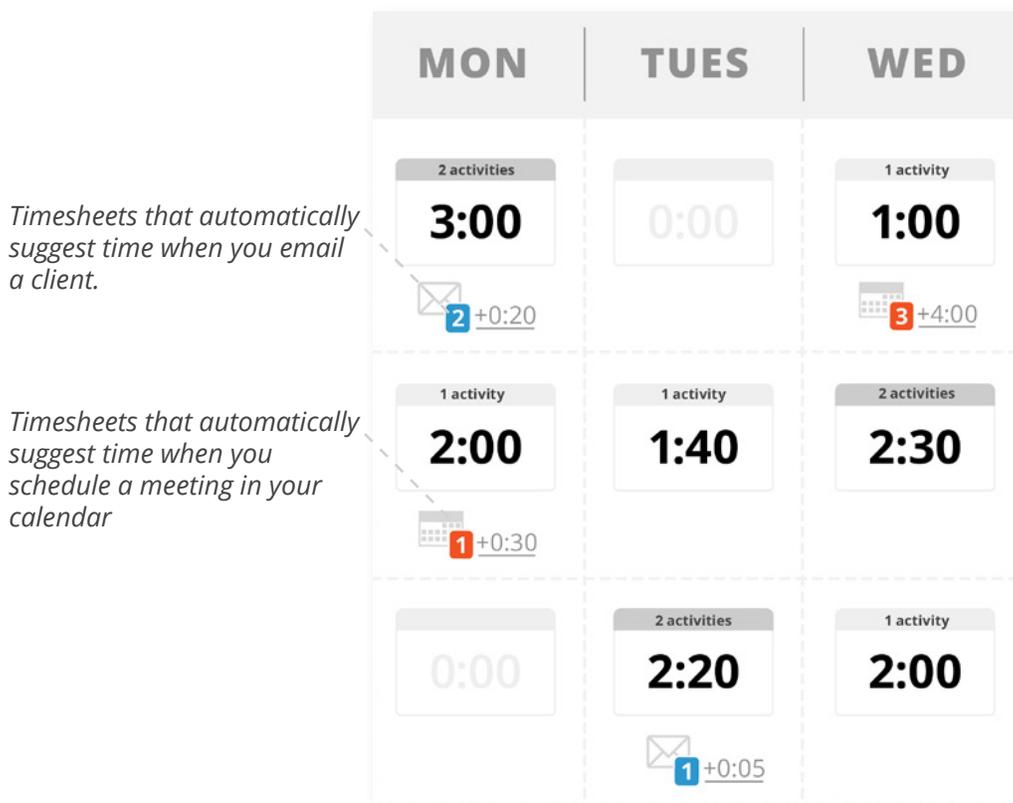
But how can you automatically fill in someone's timesheet?

Entering a timesheet shouldn't be completely reliant on someone's memory in the first place—it is way too important to leave to chance. Thankfully, technology like the cloud and smartphones has made it easier to automatically fill in a professional's timesheet. They can simply review automatically created time entries rather than starting with a horrible blank slate.

One of the most popular new ways to automatically complete a timesheet is to use their email traffic as a cue. By simply noting which clients a professional is emailing, modern systems can automatically create a timesheet for a user; all they need to review is the amount of time (often adding extra time when they think "oh, that email took me a good half hour to write!"). As a result, you can solve the email leakage problem.

Another popular way to automate timesheet entry is to pull in data from a professional's calendar. If the meeting includes a client, then you can be pretty confident it involved some client work. Even if it didn't, pulling the subject and body of the meeting into the timesheet and prompting the user to "give it a home" against a client or project can be a great way to solve the leaked time in meetings and scheduled calls.

Timesheets in Accelo suggests time entries for every email you send and meeting that you attend



Speaking of calls, the continued dominance of smartphones in our lives is providing two other great ways to automatically populate a professional's timesheet. Firstly, by automatically checking a smartphone's call log, apps can "fill in" a user's timesheet

when the call involves a conversation with a client. Secondly, geo-location means that technicians and other on-site professionals can automatically have their time logged if they're seen to be at a client address.

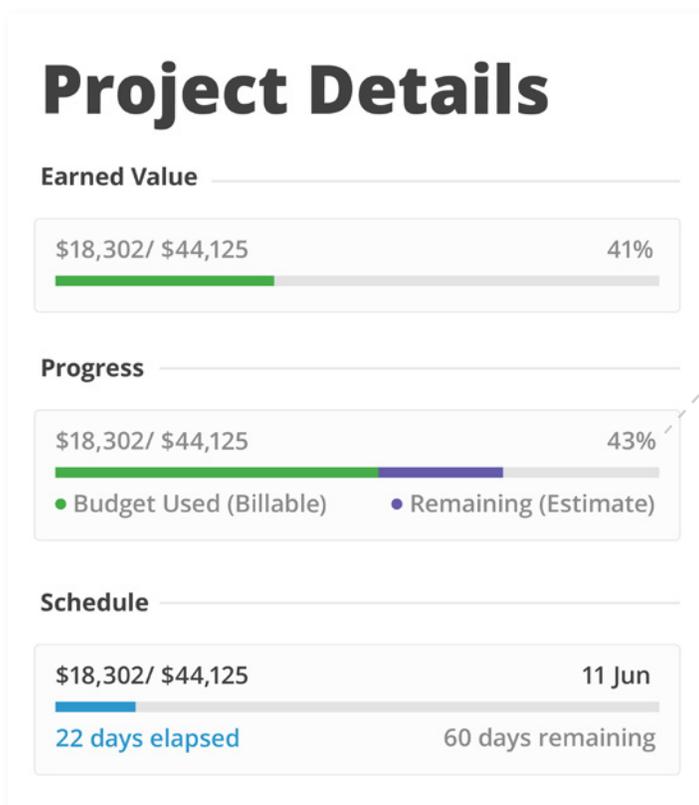
2. LINK TIMESHEETS TO KEY BUSINESS SYSTEMS

Another reason that filling in your timesheet is so painful is that the typical timesheet software commonly tends to be a discrete instance and not part of any other systems people use to get their work done.

The best way to make timesheets really work in your business is to ensure the system in which people enter their time is the same system in which they're doing their client work.

If someone is managing tasks, projects, issues, or other client work, you should make it easy for people to enter their time as they go about their work.

Timesheets that integrate with your tasks, issues, and projects



Projects that automatically track budget when time is entered

Projects, issues, and tasks that track budget and time

Milestones & Tasks	Status	Earned Value ▾	Usage/ Budget
▶ Homepage Design John Smith	● Active	\$7,833 / \$13,000 	62h 40m / 95h 0m
▶ Email Automation Jenna Doe	● Active	\$2,600 / \$3,125 	20h 48m / 25h 0m
Display Ad Design Rachel Lee	● Complete	\$683 / \$3,125 	20h 48m / 25h 0m

Aside from the benefit of dramatically cutting time leakage, the other handy thing about bringing time entry into your key business systems is that you'll have much better insight into budget usage. By seeing the hours spent on projects in real time, your project managers will be able to see budget usage and handle problems before they become disasters.

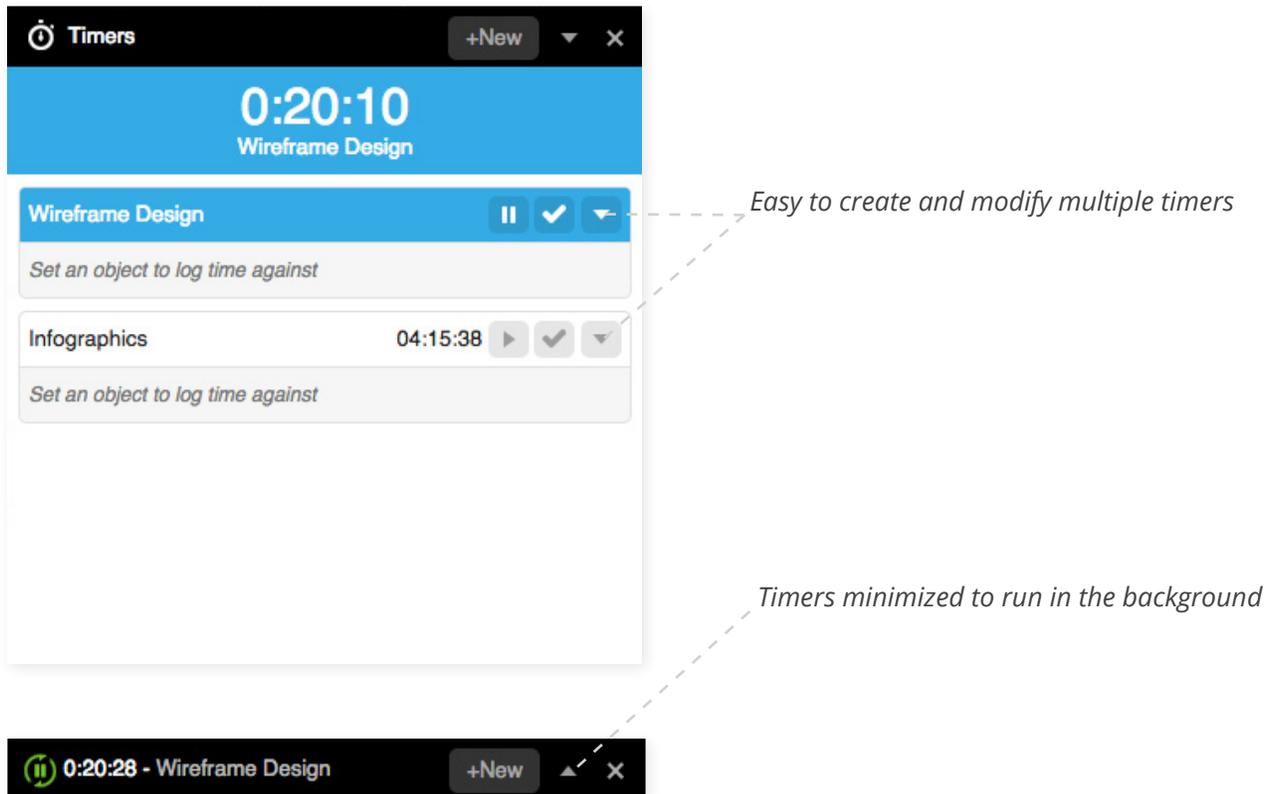
If you can't make this happen—because your project management system doesn't handle people entering in their time—you'll want to make sure that your timesheet software links to the main business systems in the back-end so people can go to the timesheet software and view the list of projects, issues, tasks, and other client work they have scheduled and easily enter their hours against it. Simply showing a user a blank screen and expecting their memory to fill in the blanks is a sure way to continue losing almost \$100,000 a year.

3. MAKE TIME ENTRY EFFORTLESS

The third big reason why timesheets are so painful to use is that keeping track of time is tedious and manual. Since most timesheet applications don't allow users to enter time easily as they go, people end up having to use their own manual way of keeping track of what they're doing, like a notepad on their desk, or a text document open in the background on their computer. This way, people are forced to remember to be disciplined about tracking when they start and finish working on tasks, only then to transcribe it all later. Only the most disciplined of people are able to be relied upon to get this right!

Making it effortless to track work is a big part of the solution. By allowing users to quickly create a timer and then let technology do the counting in the background, it greatly reduces the friction associated with keeping track of their time.

Timers made intuitive with easy pop outs and running in the background



Another reality of modern professional work is that people are often forced to switch between tasks, especially in situations where a client calls them out of the blue with an urgent question or a colleague needs help. Making it easy to switch not just tasks but also timers can help make it easy to keep track of what's going on.

Finally, timesheets tend to be a bit of a "speak now and forever hold your peace" interface. People have to enter their hours, and once saved, that's it. Unfortunately, our brains don't really work this way (have you ever forgotten a toothbrush when going on vacation?), as people piece together their work and fill in their time reports. So, making it easy for people to track time in draft form and finalize it later, can really help take the hassle out of time entry.



Conclusion

The leakage of time is a very big problem in professional businesses—with over 38% of potential billable revenue lost to untracked time spent in emails, meetings, and delays in filling in timesheets. Businesses that can address this issue and solve it stand to gain handsomely, with a revenue boost of up to 61%.

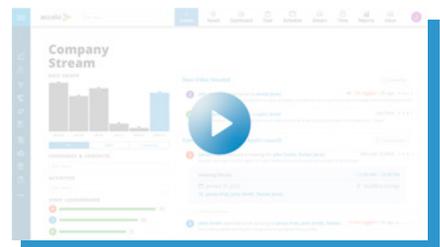
Managers may first think that the solution is for their team members to have more discipline to capture the leaked time. However, though everyone will admit they could do better, the fundamental problems with outdated timesheet technology mean that your professionals aren't truly being armed with the best tools to improve their time tracking performance, which could end up adding more undue pressure.

Professional services firms are living in the 1980s when it comes to timesheet technology and are paying for it majorly. For an industry that employs over 19 million workers nationwide, it's time to embrace modern technology or risk losing millions of dollars through lost time each year. As the professional-led economy continues, competition between professional firms is going to heat up—and the ones who succeed will be the ones who make the most out of the most precious resource of all—our time.



Ready to put our insights to work?

At Accelo, we get to know your service business inside and out, customizing software solutions that work for your team and your bottom line. Connect with us today to see how we can boost your productivity and profitability.



[Watch a quick demo to see how Accelo works for you.](#)

Call **1-800-387-1423** to speak with a sales representative

References & Assumptions

In compiling this white paper we referenced other research, undertook calculations, and made a number of assumptions for the purposes of calculation. The details that underpin the outcomes of the research above is outlined below.

2.6 hours per day spent on email: McKinsey Global Institute, "[The Social Economy](#)", July 2012, via the Huffington Post "[Workers Spend One-Fourth Of Workday Reading, Responding To Email: Survey](#)", August 2012.

15.5 hours per week spent in meetings: "[Meetings in America: A study of trends, costs and attitudes toward business travel, teleconferencing, and their impact on productivity](#)" (Greenwich, CT: INFOCOMM, 1998), 3

304 business emails a day: "[Wasting Time and Work](#)", Atlassian.

19.3 million employees in professional & business service sector: "[BLS Data: Workforce Statistics](#)", July 2014 (Bureau of Labor Statistics, Department of Labor)

240 work days per year: 52 weeks a year, less 2 weeks for vacations, 1 week for public holidays, and one week for other leave, leaving 48 weeks x 5 days.

1920 hours per year: 240 weeks per year multiplied by 40 hours a week.

\$150/hour billout rate: reference rate for professional services; each business, role and industry will have its own specific rate.

Calculations

The following assumptions and figures, with sources, are the basis for the calculations in this report.

The number hours worked per year for a professional employee is 1,920, which is calculated by multiplying 8 hours a day, 5 days a week, by 48 weeks a year. The remaining 4 weeks in the average year are excluded to allow for vacation and public holidays.

While the billable rates for different industries and different roles vary widely, we've had to pick a "reference" billable rate which is representative of professionals in the US. The rate we've chosen is \$150/hour—if your firm or industry has higher billable rates than this the costs of using outdated timesheets will be much higher than we've found in this study, if your rates are on average lower the losses will be less pronounced.

The number of employees in the professional services sector is 19.3 million (Bureau of Labor Statistics - <http://www.bls.gov/iag/tgs/iag60.htm>).

The revenue for the Professional Scientific and Technical Services (NAICS code 54) for the 12 months to the end of March 2014 was \$1.462B (Census.gov - <http://www.census.gov/services/>).