KEEPING TRACK OF THE MONEY

How **poor time tracking** is costing us **big time**

A whitepaper by TIQ in collaboration with
London Business School

March 2016

"Business 101: Keep track of the money…

*In the 'time for money' business, which is what all professional services fundamentally are, **keeping track of the time equates directly to keeping track of the money.** It just makes sense…"*

Consultant, Top 5 Consulting Firm, UK practice

Introducing the problem

If you're in professional services, you're probably familiar with one specific, tedious task: filling out the dreaded timesheet. Besides being very annoying, current ways of tracking time are costing professional services companies a substantial amount of money. Despite time tracking being such a critical part of all professional services firms' operations, the way firms approach this task has barely changed over the years. This has left us with obsolete software and processes for timekeeping that do not support the needs of the business.

Timetracking is usually postponed until the very last moment and people have to rely on their memory and things like their notes and e-mails to figure out what they've worked on in the last days, weeks, or even months. Within larger firms, there usually is some form of Enterprise Resource Planning (ERP) system in place which is used for the digital support of all major processes of the organization, including time tracking. Although these solutions offer amazing analysis and forecasting capabilities for upper management, timesheets in ERP systems are usually chaotic and anything but user-friendly resulting in employees postponing the annoying task as much as possible. This leads to inaccurate time logs that take way too long to create and thus offer an unrepresentative view of actual job timings.

We at TIQ are trying to make a change. In our opinion, the main reason for the lack of change in the process of tracking time is twofold. First, there is a general acceptance or belief that tracking time will always be problematic, leading users to accept that "making the best of it" has to be the only option. Secondly, we believe businesses don't realize the impact inefficient time tracking has on their bottom line. We have written this whitepaper to deal with these two barriers to change.

A significant driver for the relevance of time tracking for any particular firm is its operating model. Below we've summarized several factors of a firm's operating model and how they influence the relevance of time tracking on a particular firm. For example, a high number of clients per professional means that the impact of time tracking on this specific firm is high as professionals have more variation in the timing elements that must be recorded:

Factor	Ranking	Explanation
No. clients/professional	High	A large number of clients per professional represents 'breaks' in the 'flow' of capturing time. It is these breaks that cause inaccuracy and errors
No. projects/client	High	As above
No. clients/year	High	As above
Service/Fee Value	High	The higher the fee value the higher the potential lost revenue
Billing Frequency	High	If the billing frequency is high there is less resilience in the system to late time capturing
Performance Management Procedure & Frequency	Low	If the performance management frequency is low, i.e. per annum, potential inaccuracies could not become apparent for up to 12 months

By curating previous research and conducting our own, we were able to understand the total costs of the current, outdated methods of tracking time and their impact on businesses. During December 2015 and January 2016, we have surveyed 61 professionals in different verticals of the professional services industry. Furthermore, we have conducted interviews with service professionals to understand what an ideal time tracking solution would look like to them, the users.

This whitepaper is brought to you by TIQ. We've collaborated with Jay Wilson, an MBA candidate at London Business School and two Masters in Management students from London Business School. The interviews were conducted from October to December 2015. For our calculations, we have used the following assumptions:

- Lost potential revenue consists of 100% of the untracked client work and time spent on tracking time.
- A workweek consists of 40 hours, a year consists of 48 working weeks
- Responses within a range were normally distributed which allows us to determine an average value of the range chosen (e.g. "between 50 and 70" has been valued 60). In order to support conservative calculations, the answer "less than 70%" concerning the percentage of client work tracked has been valued 70%.
- Exchange rates for calculations are based on the exchange rates on 8 February 2016

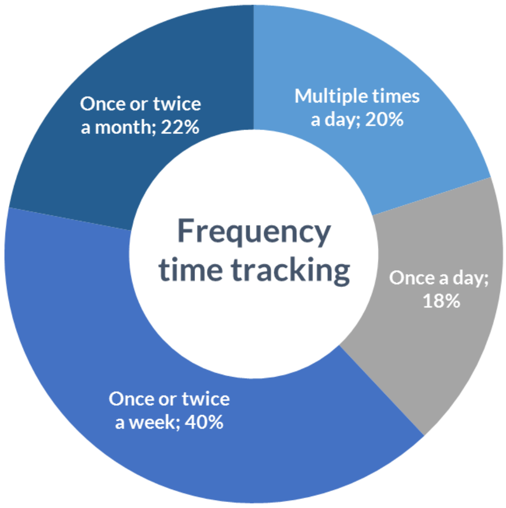
The structure of this paper is based on verticals within the professional services industry. We explain how each industry vertical scores on the rankings above, introduce the findings of our interviews and survey and interpret the data to understand how time tracking is impacting these individual verticals.

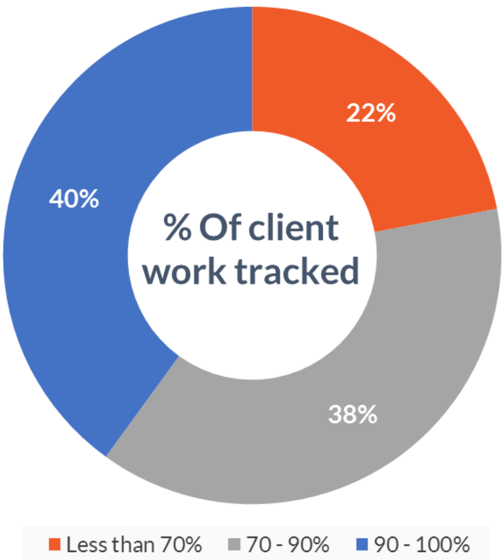
General findings

In this chapter, we will answer some general questions concerning timetracking within professional services organizations. These answers give us an overview of the methods people use to track their time and will identify several issues with these current practices.

How often do people really track their time?

With the results of our survey, we are able to better understand the way professionals track their time, starting with the frequency of time tracking. We asked our respondents how often they registered their activities: Surprisingly, only 20% of professionals indicated that they record their activities multiple times a day and **only 18% does so once a day.** Around 40% of professionals indicated that they track their time once or twice week, while 22% indicated only doing so once or twice a month.



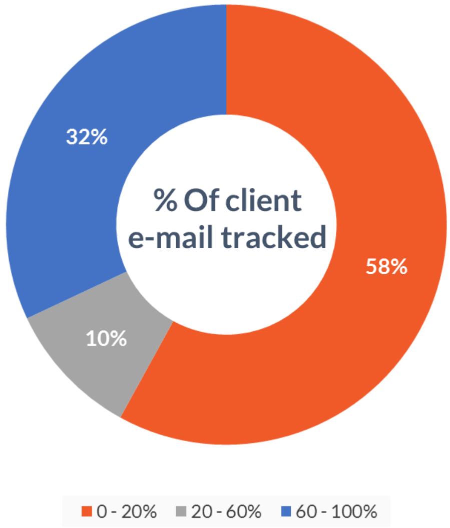


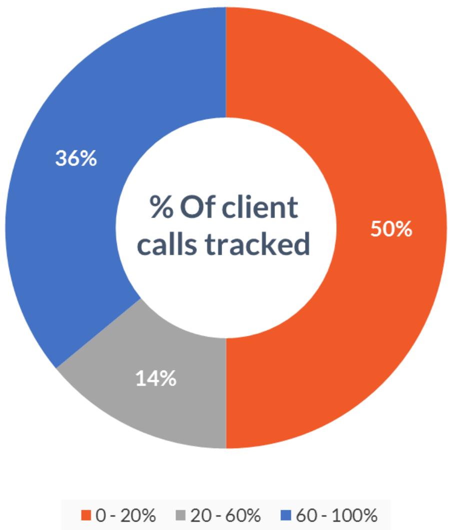
How accurate are people really?

Most people know that current time tracking solutions lead to inaccurate logs of time with a lot of unrecorded client work. We wanted to quantify this "leakage". We asked our respondents to estimate what percentage of the time they spend on client work they actually record. The results were staggering: **22% of professionals record less than 70 percent of the time they spend on client work**. That is to say, more than 30 percent of all their billable time goes unrecorded. Around 38% of professionals indicated recording between 70 and 90 percent of their billable time and 40% of professionals indicated recording between 90 and 100 percent of the time they spend on client work.

Do people track time spent on client e-mail?

Today more than ever, we spend a significant amount of time on e-mail. According to a study by McKinsey, we spend up to 28% of our workweek reading and answering e-mail. We wanted to know to what extent service professionals track this time. A whopping 58% of respondents indicated recording less than twenty percent of this time. This adds up to a lot of billable time going unrecorded and inaccurate time logs reverberating throughout the wider organization in general.



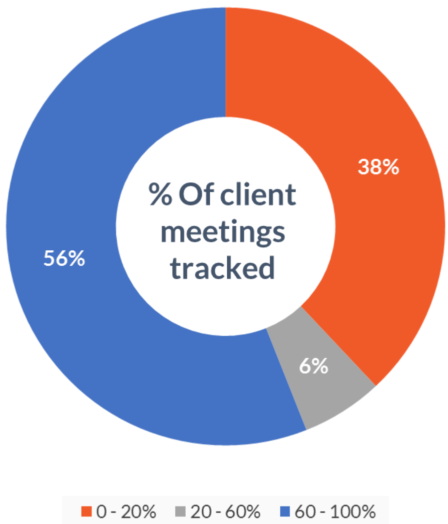


Do people track time spent on client phone calls?

From our interviews and previous talks with professionals, we noticed that people are bad at keeping track of the time they spend on the phone with clients. Our survey respondents confirmed this. Around 50% of respondents indicated recording less than twenty percent of the time they spend on client phone calls.

Do people track time spent in client meetings?

According to a study by Verizon, we spend around 15.5 hours a week in meetings, part of which is in client meetings. We wanted to know what percentage of this billable time is actually recorded. Although professionals are much better at tracking meetings than e-mails and phone calls, 38% of respondents indicated tracking less than twenty percent of the time they spend in client meetings.



(Management) Consultancy

Impact of time tracking

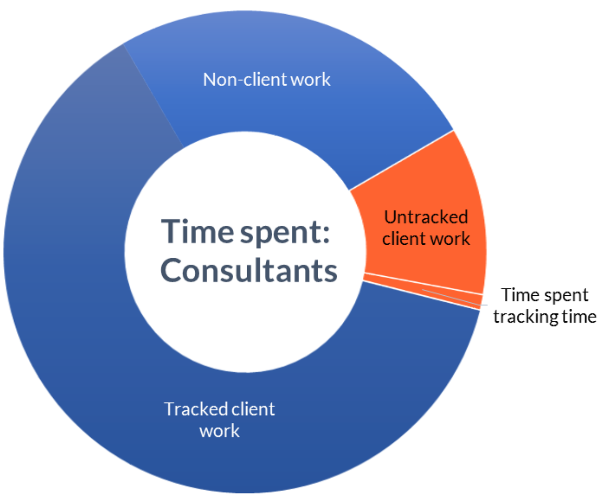
Based on our interviews and survey results, we were able to assess the average operating model of a consulting firm. We found that overall, consulting firms have very few clients per professional and projects per client. This decreases the impact of detailed time tracking on the firm, since there are less "breaks" in the flow of client work. Consultants' billable rates have been scored medium, meaning they're close to the overall average billable rate from our survey. We also found that billing and performance management frequencies are average within consulting firms.
Analyzing these factor scores in the table to the right, one would predict that the total impact of time tracking within consulting firms is not very large. However, the data from our survey suggest otherwise and also give an explanation of this unexpected result.

Factor	Score
No. clients/professional	Low
No. projects/client	Low
No. clients/year	Medium
Service/Fee Value	Medium
Billing Frequency	Medium
Performance Management Procedure & Frequency	Medium

Findings from survey

Management consultants spend a relatively large portion of their time working directly with clients. On average, client work accounts for 75% of their workweek. If we assume a 40 hour workweek, this comes down to 30 hours a week spent on clients. We also found that in general, consultants work on very few different clients or projects during an average week: the average was only 2.4 different clients per week. This makes filling out timesheets fairly easy.

The small number of clients is the main reason consultants only spend an average of 15 minutes a week on tracking their time. While consultants appear to be very fast with filling out timesheets, their accuracy is far from optimal. According to the survey, consultants only record around 85% of the time they spend on client work, which means that 15% of all billable time is leaked and therefore not billed. In the graph on the right we have summarized how an average consultant spends his/her time on a weekly basis.



Annually, more than

€46.000

is lost in revenue per individual consultant

The direct total costs of tracking time consist of the amount of untracked client work and the time spent tracking time. If we assume a 40 hour workweek, a consultant leaks an average of around 4.32 hours a week. If we add the weekly 13 minutes spent on timetracking, this comes down to an average 4.54 hours a week. With an average hourly billable rate of €212.10, timetracking is costing an average of €959.89 per consultant per week in lost revenue. This adds up to an average annual loss of around €46.074 per consultant.

Accountancy

Impact of time tracking

Based on our interviews and survey results, we were able to assess the average operating model of an accountancy firm. We found that the average accountant works on numerous projects at any one time. This increases the impact time tracking processes have on the firm, since there are more "breaks" in the flow of client work. According to the survey, accounting firms maintain billable rates that are slightly above average. Interviews showed that accountancy firms have billing frequencies that can be scored Medium and an overall low performance management frequency.

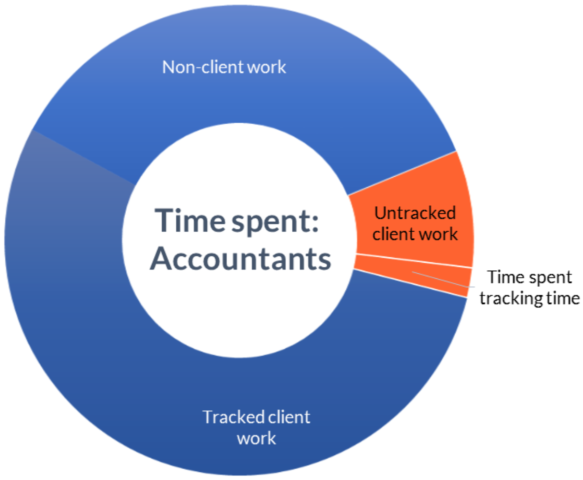
Based on analysis of their operating model, one can conclude accountancy firms are affected significantly by time tracking practices. Data from the survey confirms this conclusion, as we show accountancy firms lose meaningful revenue to ineffective time tracking practices.

Factor	Score
No. clients/professional	Low
No. projects/client	High
No. clients/year	Medium
Service/Fee Value	Medium
Billing Frequency	Medium
Performance Management Procedure & Frequency	Low

Findings from survey

The average accountant spends 62% of their time on client work. When we assume a 40 hour workweek, this comes down to 24.8 hours a week spent on clients and 15.2 hours on non-client work. Accountants work on numerous client projects each week; our survey showed an average of 6.1 different clients/projects a week. This means that an accountant has to submit a number of different "bookings" when tracking their time, since their time is allocated to a relatively large amount of different clients or projects.

The relatively large number of different clients and projects mean that an accountant has to allocate quite some time to monitoring their time each week: The average **accountant spends almost 45 minutes a week on time tracking**. Although they spend quite some time on timekeeping, **accountants still only record an average 87% of client work. This means that 13% of client work is basically done for free**. The chart on the right represents the way the average accountant spends their time.



Annually, more than

€44.600

is lost in revenue per individual accountant

The potential revenue accountants are losing consists of the time spent on tracking time and the untracked, or leaked, client work time that is unrecorded. Where accountants spend an average of 0.74 hours a week on tracking time and leak an average of 2.6 hours a week, this adds up to 3.34 hours of lost billable time a week. With an average hourly billable rate of €298.16, time tracking is costing accounting firms €44.601 per individual accountant on a yearly basis. . Besides these direct costs, more subjective costs of tracking time are inaccurate client billing, non-optimal workforce utilization and employee frustration

Law

Impact of time tracking

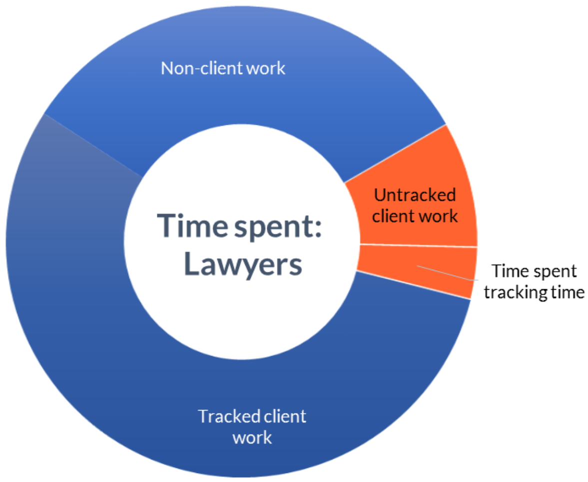
Using the insights from the interviews we had with several professionals in different law firms, we were able to assess their operating model. Lawyers deal with a large number of different matters for a large number of different clients each and every day, significantly increasing the impact of time tracking processes on the firm. Law firms charge high billable rates, which further increases the impact of time tracking as each lost minute of billable time is very costly. Based on the interviews, we scored the average billing frequency of law firms "Medium" and their performance management frequency "Low". Judging from the average law firm's operating model, time tracking practices have a significant impact on this industry vertical. Results from our survey confirm these expectations.

Factor	Score
No. clients/professional	High
No. matters/client	High
No. clients/year	High
Service/Fee Value	High
Billing Frequency	Medium
Performance Management Procedure & Frequency	Low

Findings from survey

Our survey showed that legal professionals spend an average of 64% of their time on client work. If we assume a 40 hour workweek, this comes down to 25.6 hours a week spent on clients. Just like in our interviews the average number of different clients a lawyer works on each week is high: around 5 per week.

This results in lawyers having to allocate significant effort and time to tracking time each day. Our survey showed that a lawyer spends an average of 86 minutes a week on tracking time. This time spent on time tracking results in a relatively accurate account of time spent on client work: With an average of 86.4%, lawyers record the largest percentage of the time spent on clients. Still, 13.6% of all client work goes unrecorded. In the chart to the right, we have summarized the way an average lawyer spends his/her time.



Annually, more than

€60.000

is lost in revenue per individual lawyer

The potential revenue lawyers lose to tracking time consist of the time they spend filling out their timesheets and the amount of untracked client work. Lawyers spend 1.43 hours a week on tracking their time and leak an average of 3.46 hours per week. This adds up to 4.89 hours a week lost to tracking time. With an average hourly billable rate of €323.89, the average lawyer is missing out on €60.043 in potential revenue on a yearly basis. Besides these direct costs, subjective costs of tracking time are inaccurate client billing, non-optimal workforce utilization and employee frustration.

The solution

So what are the main issues that are causing these extremely large losses of potential revenue? From our interviews we concluded that time tracking issues and needs are very similar across industries but quite different among different stakeholders within a firm. Time tracking eventually affects operational staff, managers, finance departments, partners and a firm's clients, and all have different needs as they relate to time tracking. In order to determine what would be the ideal time tracking solution, we've mapped these stakeholders' time tracking needs in the table below.

Stakeholder	Impact	Needs
Operational staff	Data entry of time assigned to client	Easy to use solution with cross-platform and mobile functionality
Managers	Monitoring capacity utilization and managing workload of staff	Easy, real time dashboarding and results
Finance departments	Billing, assessing monthly utilization, calculating profitability, forecasting	On time and accurate data entry and reporting, in depth dashboarding
Partners	Assessing firm performance	On time and accurate data entry and reporting, in depth dashboarding
Clients	Assessing invoices, challenging firm on billable time	Detailed and accurate reporting

To summarize, firms need a time tracking solution that is both lightweight and easy to use, but one that also allows for extensive analysis and reporting. **Technology has failed to provide us with a solution that properly fulfills the needs of all stakeholders within a professional services firm.** There are plenty of very lightweight, easy to use time tracking solutions like Toggl or Harvest. The problem with these tools is that they do not support analysis and reporting modules that are extensive enough for larger professional services firms' needs. Then there's the heavyweight ERP systems like SAP and Microsoft Dynamics. These systems support very in-depth analysis, forecasting and reporting, but are everything but user-friendly when it comes to data-entry. We believe active engagement by the user is critical for accurate, reflective data capture. **This leaves us with an unfilled gap: a solution that is easy to use but also allows in-depth analysis.**

We founded TIQ in order to fill this gap. We wanted to build a solution that focuses on user-friendliness, while still allowing extensive analysis and forecasting. Since most large professional services firms already have some form of ERP system in place they use throughout the entire organization, we wanted to find a way to improve these systems instead of competing with them. TIQ combines the best of both worlds by providing an easy-to-use, automated time tracking application that directly pushes the data to a firm's own backoffice for analysis and forecasting. TIQ effectively replaces the timesheet module within these ERP systems with a simple mobile and desktop app that automatically captures and allocates an employee's activities throughout the work day. This results in a more accurate log of what time is spent to what clients, and it can be created in just one minute each day.

Find out more about TIQ