

# Seven Ways to Improve Your Consulting Company By Automating Time and Expense Collection

By Bill Balcezak, General Manager-Time Division, Journyx

In the consulting business, your hours are your inventory: lose track of them and they are wasted. If you hit your budget and reimbursable expenses, however, you will move more inventory.

Everyone wants a more profitable company with fewer headaches, happier customers and no surprises. Often some of the most mundane areas of business execution lead to the highest levels of achievement when done right. This is true for consultancies—automating your time and expense collection can help you achieve this higher level of profitability in several ways. Here are the top seven:

## Lower Costs and Increase Profits

### 1. Understanding Your Costs

If you don't know your costs, you don't know where you're profitable, so you can't steer your company towards success. In today's knowledge economy, project accounting is the best way to understand production costs, but few companies do it well. Consultancies already know the importance of tracking hours better than most companies do, so it should come as no surprise that a thorough, efficient method of time tracking is essential to running a profitable consultancy.

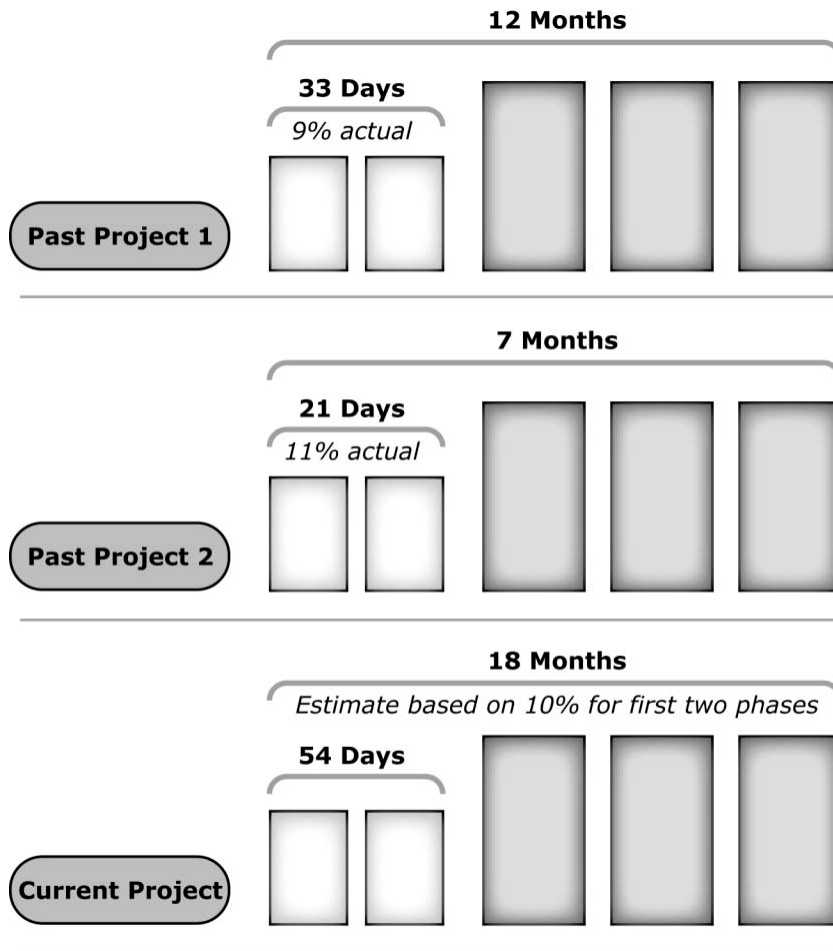
## Increase Revenue

### 2. Bid Smarter with Better Estimates

Overbidding on a job means you won't get the work in the first place; the customer will give it to your cheaper competitor. Underbidding, however, means you'll win the deal and lose money. Neither is acceptable, yet most companies do a poor job in this area.

The best way to improve your estimates is to know in advance how long a project will take your consultants to complete. What many business professionals do not realize is that by using the amount of time spent on the first and second phases of a project, one can predict the total project length with startling accuracy. The more difficult or complex a project is, the more time it will take to complete its specification and design phases, which allows for such a formula to exist.

Consider the following chart as an example:



Let's say that after carefully tracking time on Projects 1 and 2, you find that the first two phases take approximately 10% of the project time. You can then use that data to predict the length of the third project. I've found this project estimation technique to be extremely precise, regardless of whether your company's magic number is 3% or 30%.

### 3. Shorten the Billing Cycle

Manual time tracking can be very time consuming. It involves collecting time cards from various employees, entering them into various systems, creating and running reports, and sending out invoices. Automating the process, on the other hand, is much quicker; relevant time data is entered directly into a system that will generate reports and invoices or automatically pass the information to systems that provide this information.

### 4. Increase the Amount You Bill

In a consulting business, ignorance is most certainly *not* bliss. Once you begin tracking time in a more efficient manner, however, you can be sure of how many hours your consultants are spending on each client or project. You can then increase the amount you bill because you have hard data to substantiate your decisions.

## **Customer Satisfaction**

### 5. Eliminate Invoice Errors

Not only does an automated system save time and energy that would otherwise be put into maintaining paper and/or spreadsheet-based processes, but it can lead to more accurate invoices. According to a study done by the University of California at Irvine, fully automating the timesheet process reduces errors by 75 percent. For this reason, more consultancies than ever before are implementing timesheet applications to help them manage and track all billable hours and projects.

### 6. Find Project Problems

Using time tracking as a project estimation technique (as discussed in #2) also helps with anticipating project problems before the situation gets out of hand. Despite project managers' keen abilities to remain within schedule and budget constraints, all too often they find themselves out of a job when their projects, product lines or research portfolios are deemed unprofitable or excessively risky. That is why it is critical to constantly monitor projects throughout their lifecycle in order to determine whether you should continue or terminate them. Questions such as, "How much of my project's budgeted time has been spent?" and "How close are we to completion?" will offer valuable information for making this decision. For example, if you have used 30 percent of the allotted time and you are only 10 percent complete, that is a red flag that is better raised when you have spent 30 percent of your money than when you have spent 80 percent. That's the difference that continual project tracking makes.

## **Giving Value Back to Your Business**

### 7. Putting Processes in Place

Companies that sell products have an easier time becoming valuable and resellable than companies that are primarily services-based. Why is this so? I have talked to plumbers, electricians and CEOs of consultancies over the years and they all say the same thing: "The talent goes home every night."

So how can you increase the value of a services-oriented business? The answer is that you can create processes (sales, marketing, billing, project management, etc.) that function well and operate independently of the specific people who are working there today. When the company has repeatable effective processes in place, the company has value. When it doesn't, all the talent resides in the people who go home every night.

For example, automated systems that collect employee time and expense data and funnel it to the appropriate payroll, billing and project accounting processes provide a number of benefits. They allow you to ask yourself questions such as, "Which customers should we kiss up to, and which are unprofitable?" "Where can we improve estimates based on historical data of previous projects completed?" "Where do our projects typically go awry?" Knowing the ins and outs of how your consultancy works will help you to retain profitability regardless of employee turnover.

In order for a consulting company to reach the height of success and profitability, managers must understand costs, effectively manage projects and employees, accurately bill clients in a timely fashion and implement repeatable processes that add value. Automated time tracking systems help companies in all of these areas. The knowledge that properly collected time data brings to your consultancy will allow you to make sound strategic decisions. Otherwise, you're flying blind.

**About the Author:**

*Bill Balcezak is the general manager of the Time Division for [Journyx](#). Journyx offers customers two solutions to reach the highest levels of profitability: [Journyx Timesheet](#) – a timesheet and expense management solution for the entire enterprise – and [Journyx ProjectXecute](#) – a solution that unites project and process planning with resource management. Journyx has thousands of customers worldwide and is the first and only company to establish Per Person/Per Project Profitability (P5), a proprietary process that enables customers to gather and analyze information to discover profit opportunities. Bill is a seasoned professional with a broad, international and multi-disciplined background in consulting and high technology companies. He has 25+ years of experience in successfully managing heavily integrated, large-scale, critical software deployments for industry leading clients. To reach Bill, email him at [billb@journyx.com](mailto:billb@journyx.com).*