


TIMESHEETS AND PROFIT

A guide for architects, engineers and
built environment design professionals



  #MoreTimeForDesign

TIMESHEETS

AND PROFIT

The timesheet.

The word 'timesheet' comes with connotations of being of the most bureaucratic and boring task ever created for a professional services firm, whether you're an architect, engineer, designer, planner, surveyor, accountant or lawyer. In fact, for the purposes of this document lets change the moniker to the 'meter'.

This tiny daily task is the bane of architecture, engineering and construction design teams globally and almost everyone looks for a silver bullet to reduce the burden of entering timesheets.

So, let's look at the 'meter' as something else altogether - let's look behind those pesky entries and see what value they bring, what insights they uncover, and what valuable outcomes they could provide to every professional service firm.



SynergyTip

Always do timesheets. Timesheet are not just for time-based jobs, complete timesheet for all fee type jobs. Bonus tip: A mobile timesheet application allows your staff to enter them wherever they are (no more excuses!).

TIME IS MONEY BUT

PROFIT IS GOLD

It's true that the business model of professional services is about billing based on time for an outcome. More important, though, is the way the fees or rates must cover not only the raw wages cost, but also cover the business overheads (non-direct technical wage costs) and allow for a profit.

Law and accounting firms usually work on a three-way split on their fees - a third to wages, a third to overheads, and a third to profits. The design industry is not that straightforward. The businesses that follow best practice usually reverse engineer the hourly cost of staff - taking off annual and sick leave, public holidays and even non-billable time expected of meetings, training, and so on - and dividing the total wages by the estimated number of billable hours to give an accurate cost for the hours worked by billable staff.

Covering overheads is simply calculated by taking the total costs of the business including administration, office, IT and the total staff bill and dividing it by the technical staff that are billable, giving what's called the overhead factor. This factor, multiplied by the raw wage rate for staff, gives us a rate per staff member that needs to be achieved just to break even.

Lastly, there is a profit factor applied to the breakeven rate to add a margin for the work and a return to the practice. A profit (it's not a dirty word).

The application of these financial controls as an algorithm means that each simple timesheet entry is calculating the cover of real wages, the recovery of the overheads of the business through to breakeven, and even profit per hour. Without profit, the business is at risk.



SynergyTip

The right rate and fee for profit. Timesheet entries need to let each staff member enter the right rate for the work. Design business rates and fee types are more complex than other professional services. Ensure you've calculated your real staff costs for charge-out rates for billable staff that cover the whole cost of your practice and include a margin.

PLANNING, FORECASTING AND ESTIMATING

We all know that professional services firms bill for labour, even though the outcomes are specifications, reports, advice, instructions, design files, 3D models or contracts.

We also know that in construction design, many firms invoice not on hours worked, but on the deliverable, which in many cases is a fixed fee. So, if we have a fixed revenue for the work, why do we need to count the hours? It's a question our consultants hear frequently.

The reason is simply that the fee contracted is still a summary of the hours estimated for the task to be done, whether there is a markup or a discount.

It's important, then, to look at the work planned, the hours, costs and revenues generated and ensure the work actually performed is at or below the estimate or budget. That means every hour worked must be tracked for an actual cost versus budget (actual vs budget) review and analysis.

Think about this analysis as a way to check that the price set for the deliverable was actually the right price. If we blow the budget, we may have underestimated the work effort and underpriced the fee. If we come in below the budget, we have either overpriced the work, been able to substantiate additional profits by way of the intellectual property the firm possesses or been highly efficient and effective in delivery.

Without a view of actual vs budget by both hours/units and dollars, you won't know if your price was right. Without the meter reading of timesheets, we will never know.

“ in construction design, many firms invoice on a fixed fee. ‘Why do we need to count the hours?’ is a question we hear too often.”



SynergyTip

Don't blow your budget. Timesheets provide the information to help you calculate actual cost vs budget, so you know if a fixed fee job is profitable (or if you're on track to blow the budget based on your estimated costs).

HISTORY REPEATS...

OR DOESN'T

When estimating work, principals or project managers need to draw upon a scoping exercise to look at how much effort and resources are required, applying a budget to the work and maybe even contingency to get an accurate fee basis.

The wise principal generally has the ability to assess and predict the work - a result of experience with similar or even the same deliverables. You could say there is corporate knowledge residing in their methodology and know-how.

But what if the entire business could tap into that knowledge through a business system that recorded the past?

What if you could search through a history of similar projects, similar clients, similar teams and be able to see previous estimates and what actually worked? That would allow teams to decide whether to replicate the estimates, the fees and the budgets (possibly even use reports, drawings or specs as templates) and make sure the successful projects are repeatable, or avoidable if they were economic failures.

The hero in this particular story, if you haven't guessed already, is the timesheet. The ability to review history and analyse issues, pitfalls, economics, etc, is the simple recording of timesheets.



SynergyTip

Avoid project pitfalls. Timesheets from past jobs help you create more accurate estimates and proposals for future projects.

YOU CAN'T MANAGE WHAT YOU DON'T MEASURE

Principals and directors of built environment design firms large and small need objective data and analysis to be able to successfully manage teams or team members. Whether you're analysing the performance of projects, the performance of managers of projects, or the team members that do the work on projects, it's the complex and efficient review of costs vs estimates, revenues billed vs write off, and timely delivery of work without re-work that is key to performance review.

Through the use of the 'meter', every single transaction can carry a raw cost, a breakeven cost and even a value for what that transaction was invoiced for. Which effectively means you could run a simple profit and loss report per transaction. Imagine that?! *[Editor's note: the author of this document used to be an accountant.]*

In the systems you use to run your actual business, you need them to be able to group these transactions by whatever metrics the firm requires for the management of profitability performance. Group the transactions under a project and you get profitability by project; by projects under a single manager and you get performance by each manager. Group again by client, portfolio, studio, office or region, and you can see the performance of each in comparison to the other.

Each and every transaction, whilst it appears to be nothing more than a burden to the staff member, becomes the key to analysis of the projects we should be doing, for the best clients, by the right team, and even the right location.



SynergyTip

Timesheets give you performance reports. The simple act of recording time across all projects allows the practice directors to report on transactions by various groupings and assess overall business performance.

WE LOVE

TIMESHEETS

While timesheet ‘meters’ are still something many feel are a burden endured in business, rest assured that it’s the aggregation of these transactions and their values that provides key business metrics to your firm. Without the humble timesheet, you’re losing valuable insights, valuable corporate knowledge, the ability to manage, and even down the track, the ability to show value to potential buyers of your business who need to know what you know.

We love timesheets. Said no one ever!
(Except Total Synergy and the firms who tout ‘best practice’.)



SynergyTip

What’s your business worth? Timesheets provide historical insights into your business. One day, they can even tell the story of your business’s value to perspective new owners.

ABOUT TOTAL SYNERGY



We make Synergy — business and project management software for architecture, engineering and construction design people (AEC). Our goal is to give AEC people *more time for design*.

Synergy is like a **wingman** to your business — someone who's got your back in the business of designing the built environment. It's pure cloud software that works on any web-enabled device. All you need is an internet connection, web browser and your smartphone, tablet, laptop or desktop computer.

Synergy solves three key challenges for built environment design professionals:

- **Project accounting** (including timesheets, invoices, budgets, accounting add-ons like Xero and QBO, rates and costs, and profitability reporting)
- **Project management** (including documents, projects, work breakdown structure, phases, stages and tasks, and WIP reports)
- **Collaboration** (including communication, shared portal, shared documents, document audit trail, and more).



Who we are — #TeamTotalSynergy

Total Synergy has built business and project management software for architects, engineers and construction design professionals since 2000. Our focus is to create an engaging and fun working environment for our team. We believe that engaged people lead to great products and excellent user experiences.

We're a diverse bunch, united by our core values. We all love technology and work with a real focus on helping each other grow, and helping our customers fulfill their role in designing the built environment.

Total Synergy is a Microsoft Gold Application Development partner. Synergy is built in-house in Australia on the latest cloud technologies. We currently have offices in Sydney, Australia, and London, UK offering support to our global customers. Our North American office opens in 2018.

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