Part of the Washington SBDC Podcast Series

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Working More and Making Less:

A case for proper time reporting.

Absence of a system for reporting time spend on project employees results in the use various systems for collecting, inputting and routinely reports time.

Some of the creative strategies for reporting time are:

- "What seems logical" approach:
    - Looking at finished job and guessing how much time it took
- "We need to stay within the estimate or budget" approach:
    - Exactly how much was in the estimate regardless of how much time the project actually took.
- "This client has excellent season tickets" attitude:
    - Billable hours stay low when employees are eager to spend time at the ballpark with a happy client.
- "Oh yeah we finished the job about 3 months ago, and now it's time to bill some hours" attitude:
    - This approach certainly helps the client's cash flow.

Two of the most common reason for low profit performance are:

1. **Insufficient billing rates:**
    a. Billing rates for management supervision are sometimes either not included or included at lower rates than the expertise that is required.
2. **Unexpected costs or expenses:**
    a. "Inevitable," surprise costs like the cost of buying lunch for 500 extras at a photo shoot.

b. Billing rates should include actual employment costs, a factor for overhead and a profit factor. Functional, hourly billing rates are often used to distinguish between non-specialized staff and specialized staff and what they are each paid. Inclusion of a percentage contingency amount can offset cost overruns or unexpected expenses.

After analyzing and correcting billable rates and cost the business manager should investigate time reporting to prevent future cash flow problems.

Steps to establish time reporting procedures or formalizing an existing reporting policy:

1. Institute policies on the executive or board levels that define requirements for submitting time as well as the consequences for noncompliance.
2. Consider requirements for all employees to submit time records electronically or on paper that account for a minimum number of daily hours. Include time by client, by function, and in a minimum of ¼ hour increments. Report the time spent completing administrative tasks like staff meetings, expense reports, company projects, and list vacation, sick, and annual leave time. Research electronic programs to help you do this.
3. Assign one employee the task of monitoring time input or time sheet submission.
4. Evaluate the need for policies that serve as incentives for accurate and timely submission of data or the need for radical policies for those employees who respond better to absolute regulations.

Some employees may grumble but periodic bonuses, increased stock value, and keeping one's job become powerful incentives when profits come rolling in.

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