Time Tracking Adds up for Accountants

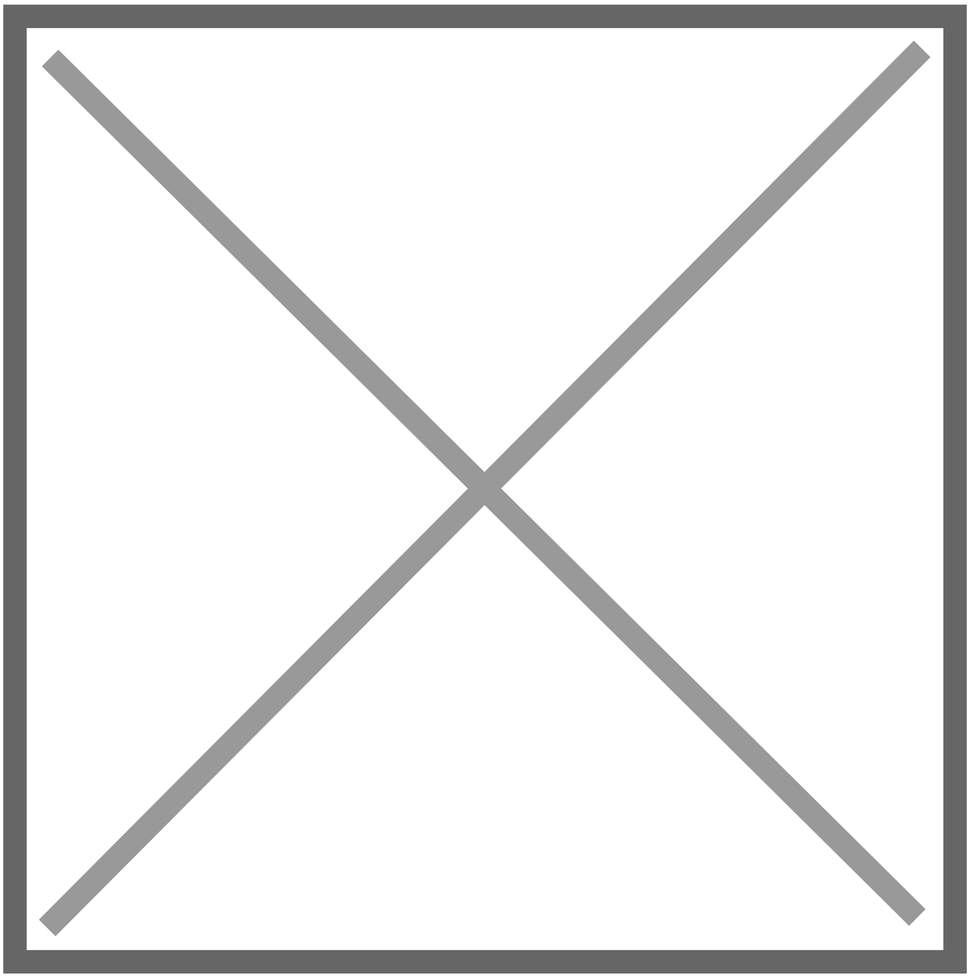
Would you believe me if I told you that your accounting firm was losing $50,000 per employee, per year?

A recent survey from AffinityLive found professional service providers would recover $52,000 per professional, per year in billable time, if they used time tracking appropriately. As an accountant, you understand, more than any other professional, that time is money.

Free labor: Why accountants need time tracking

AffinityLive found that, when it comes to timekeeping, the time accountants spend communicating with clients via email is “largely ignored.” A whopping 66 percent of respondents stated that they “never, rarely, or sometimes track email.”

Accountants are giving their time away, free of charge.



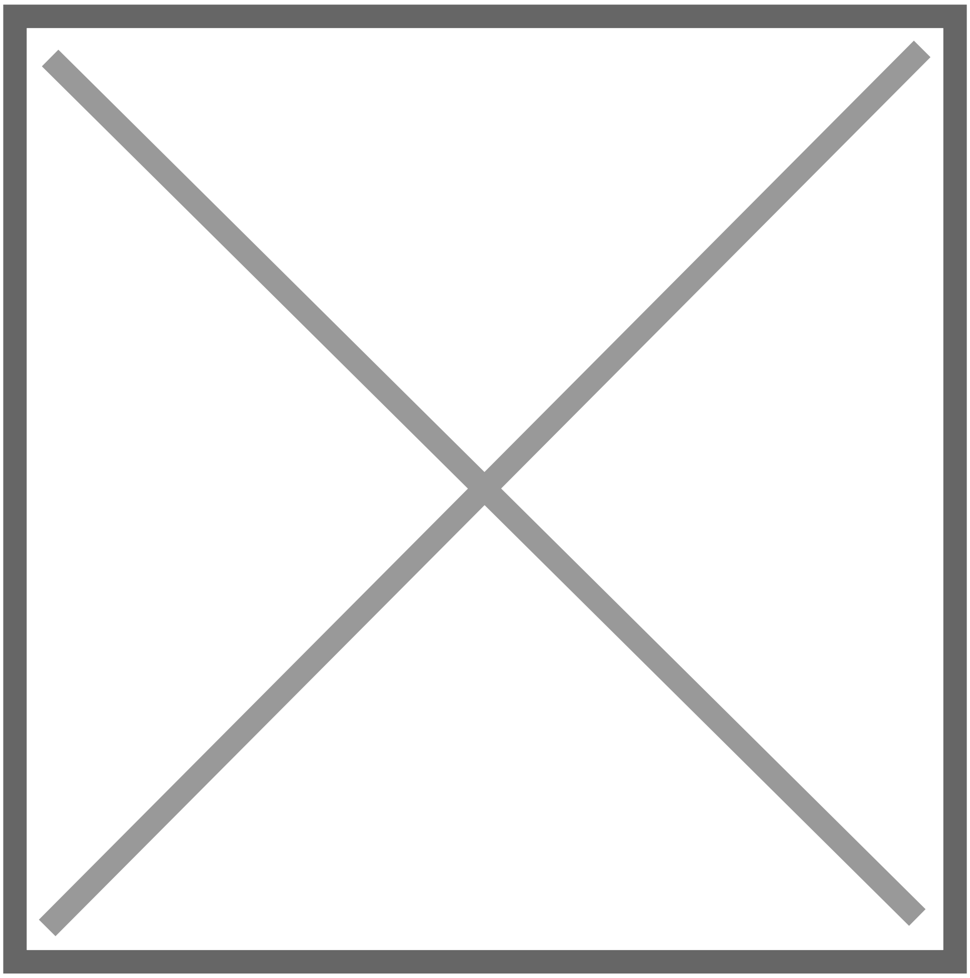
This is especially devastating if your accounting firm bills by the hour. What about those who offer value pricing? The problem remains the same. If accountants aren’t tracking their time or the average time it takes for individual accountants to work with clients, they’re not factoring this time into their value pricing.

Which probably means they’re undercharging for their services.

What about timekeeping for meetings?

When it comes to timekeeping, professionals fare a bit better with meetings. Only 37 percent stated that they “never, rarely, or sometimes track meetings.” In fact, the majority of respondents (63 percent) reported that they “often or always track meetings.”

Or



Why time tracking adds up for accountants

Accurate timekeeping is a must for accountants and accounting firms, *even if you offer value-based pricing*. It’s essential because of the impact timekeeping has on your utilization rate. Your utilization rate is a reflection of your firm’s productivity and billing efficiency. The higher your utilization rate, the more financially efficient your firm is.

There are **two ways** to calculate your utilization rate.

1. ***Billable hours*/total #** ***of hours*recorded** in a particular time period **= utilization rate**

(25 billable hrs / *50 hrs total* **= 50% utilization rate)**

Or

2. **Billable hours / fixed # of hrs per wk = utilization rate**

(15 billable hrs / *40 hrs per wk* **= 37% utilization rate)**

Accurate and consistent timekeeping is a must for firms that are working to increase revenue. With good timekeeping habits, your firm will be able to:

- Accurately bill clients for the time you spend on their work or projects
- Charge the correct rate in all instances
- Schedule appropriate resources for client work or projects (e.g., when to hire or fire)
- Better scope out and price client projects
- Reduce or eliminate time theft (whether intentional or accidental)

If your firm doesn't have good timekeeping habits, you don't have the data you need to perform at a high level efficiently.

Time is money for any business, especially for accounting practices. Accounting businesses are mostly fixed costs based on rent, utilities, and the salaries of personnel. How much profit they make depends on how well time is utilized. That is, how well you make use of your employee's time on client work determines the level of profit attained. Keeping utilization and billability high and your firm will make a profit. Let it slip, and your firm could bleed cash.

Leadership in most accounting firms know this, but they still struggle to achieve buy-in and compliance they need from their employees. Why are employees so resistant to the idea of good timekeeping?

Employees hate time tracking because it's hard

If your accountants are still required to fill out time sheets in a comprehensive spreadsheet, they're far less likely to do it. It's an incredible hassle for your accounting practice.

It takes more time for bookkeepers and accounting to fill in their time. It takes admin staff longer to consolidate spreadsheets and rekey data; and the finance folks spend more and more time sending out new spreadsheet versions with the most up-to-date job codes. Finally, management has to do their own spreadsheet analysis to get the data they need.

This clearly isn't an issue of discipline or motivation, as the example above shows, you're actually doing more work if you rely on spreadsheets! It's actually about your environment. If you create the right environment, you're far more likely to achieve consistent results. You accomplish this in one of three ways:

1. Create an environment that makes timekeeping automatic

2. Make it harder (or more painful) for employees to ignore responsible timekeeping
3. Reward consistent and accurate timekeeping

How do you create the right environment in your accounting practice?

You rely on a combination of policies and software.

You create policies that reward compliance and flag non-compliance. You use time tracking software that's semi-automated, a simple solution that provides you with the comprehensive timekeeping you need. Ideally, this is a tool that tracks all of your time — your emails, calls, meetings —all of your billable work and non-billable time.

It should convert your time into money, creating bills, submitting invoices, collecting payment.

It should automatically provide your accounting practice with a comprehensive report outlining how your team spends their time. This enables you to optimize your firm's utilization and realization rates, boosting firm revenue in the process.

Timekeepers cost your firm $50,000 per employee, per year

As we've seen, many accountants give a significant portion of their time and expertise away for free. That's fine if it's intentional or by design, it's a disaster if it's an ongoing source of billable leakage.

You need to see how your firm spends its time.

When it comes to your firm, time is money. Accounting businesses are mostly fixed costs based on rent, utilities, and employee salaries. The profit you bring in, the annual growth you achieve — it all depends on how well your time is utilized. Good timekeeping shows you how your time is spent.

With the right time tracking tools and clear policies, you'll find you have what you need to produce consistent growth in your accounting practice.