

## The Time Sheet is Only One Measurement of Performance

Posted By [Gary Boomer](#), Friday, August 28, 2009

While the time sheet is an integral part of most accountants' lives, it is not the measurement of performance that many believe. A time sheet is nothing more than an accountability tool. In my opinion, the profession has erred because the time sheet was never intended to be a measure of value or a pricing tool.

Value is defined as the monetary worth of a good or service. The time sheet is simply a historic record of the cost of delivering a service. Yet many firms don't even utilize their practice management systems to calculate total labor and overhead costs. They simply use them to calculate a standard rate or price.

Clients and accountants often value services differently. An hour of time is simply a measurement of effort. Pricing is a different story and one area where many accountants often fail to receive (or lack the marketing skills to obtain) a fair price for their services.

In today's performance-driven economy, there are many factors that play into the value of one hour of an accountant's time. Some of the more important factors are:

- Level of knowledge and skills
- Relationships - confidence
- Leadership - direction
- Creativity – new capabilities
- Effectiveness of technology

Using timesheets as a measure of value is counterproductive and based upon the old 'effort-based economy.' Value is measured by results and perception in the eyes of the client or one who purchases a service. In a commoditized service, lower value is perceived than a service that is unique, creative and desired by the client (i.e., tax return preparation versus cost segregation).

### Valuing client experience

The client experience is as important as the quality of service. In fact, for many clients it is easier to judge the experience than it is the quality of the service. Firms should improve client experience and perception in order to enhance margins and attract quality employees. The days of only rewarding personnel for their technical skills and effort are over. A combination of skills is required within your team to provide clients with a highly valued experience.

It is only natural that accountants value accounting skills much like engineers value engineering skills. But the market determines the true value of any service. Does the

time sheet actually decrease value? What if everyone in the firm billed clients for their contributions (i.e., marketing, sales, administration, etc.)? Would you determine the value of their services based upon effort?

Sadly, many accountants and engineers believe the answer is “Yes.” Yet the client only thinks about the total price and not the length of time a particular service will require. Other professionals’ (non-accountants) contributions are often looked at as overhead, and a minimal value is placed upon their contribution to the firm’s success. The reality is that they can and generally do have a significant impact on a client’s perception and experience.

### **Enlarging your focus**

Firms that focus only on time sheets and production quickly lose balance and often lose revenue. In today’s market, with a shortage of skilled labor and an increased demand for services, firms should re-evaluate their performance criteria as well as the skill sets of their team members. Getting the right person in the right job is the challenge.

The balanced score card approach focuses on four primary areas of performance: financial, processes, development of people and client satisfaction. Most companies typically value only financial measurements. But the other three categories are equally as important if a firm is to maintain balance as well as profitability.

Consider a sports team, which require talent (people), fans (customers) and practice working together (processes) to produce a winning effort. Firms are no different. In fact, talent has taken the spotlight, with staff placed above clients in order of importance. Firms are also looking to improve their processes and even asking clients if they are satisfied. This is balance.

When costs decrease and value increases in the eyes of a client, the result is innovation. Financial results are much like winning in athletics. If you focus only on results in business or on winning in sports, there is a good chance your organization will suffer in the long-term. The result is likely a team that is unable to sustain productivity and growth into the future.

### **Capturing opportunities requires balance**

Today, opportunities in accounting are the brightest they have been in years. It is going to take a balanced approach, rather than a time sheet strategy, along with quality people to capture these opportunities. Coupled with many partners reaching retirement age, the staffing situation will only grow more strenuous.

Firms should focus on all four factors in order to take advantage of the opportunities.

Many are starting to ask, “How does my firm deal with the staffing shortage, retirement, succession--and still take advantage of the opportunities?” This is an excellent and pertinent question. The answer of course is, “It depends upon the investments your firm has made in the past. Has you firm invested for the future or only focused on maximizing partner income in the present?”

Anytime there are opportunities, there are also obstacles and strategies that must be devised in order to overcome the obstacles. Too often accountants see the obstacles but don’t take time to think through strategies and plan how to overcome and capture the opportunities. This is where Planning X People X Processes becomes critical to your success. We refer to this as The Performance<sup>3™</sup> Formula.

Review the following table, which offers some ideas for strategies to overcome many firm obstacles. The intention of this table is to prompt your thinking. It is not an all-inclusive list.

<b>Opportunity</b>	<b>Obstacles</b>	<b>Strategy</b>
Increased demand in traditional services	Lack of people Commoditization	Implement a client filtering system to upgrade your client list. Package and market your unique processes (services) for a fixed price. (Silver, gold & platinum levels of service.)
Innovative new services	Lack of expertise Lack of market share	Hire industry expertise. Utilize professional sales personnel.
Financial services	Lack of agreement among owners Lack of expertise	Develop alliances. Contact successful peers. Utilize leading consultants.
Attract new ownership	Lack of qualified people internally Lack of growth	Develop a strategic plan - build consensus. Develop a training/learning culture. Create new service offerings to existing and new clients. Innovate – lower production cost through improved technology and increase perceived value through improved packaging and client experiences.

After reviewing these examples, I am sure you see the picture. Some may be excited while others are paralyzed. Change is difficult, and the profession is experiencing ongoing transformation. Those who make the necessary adjustments in strategy will succeed, while those who only watch the time sheet will continue to be challenged by a commoditized world and a shrinking supply of skilled labor. Think about your future and plan for nothing less than exponential growth.