

Time & Attendance

White Papers

Topic

How to Increase Profits with Time Tracking
Software

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Introduction

In order to survive in today's economy, you must take full advantage of all your companies resources. However many organizations fail to make use of a key area - time. This is even despite the fact that many of these same companies would agree that "time equals money". Many businesses are not accustomed to the idea of investing into time just as they would with money.

To help understand the concept "time equals money", it may be better to say "time equals capital". Time must be managed, accounted for and invested in ways that, just like money, maximize its return. This is often easier said than done since companies seldom possess the right tools to make the most of time.

Often, they confuse the concept of time resource allocation with simple "time sheets" or "time management calendars". This mind-set is as dangerous as confusing a balance sheet with a company's capital investment strategy.

To manage any resource, one must first know what resources are available by tracking it carefully. This is why time tracking should be a fundamental part of any business. It goes without saying that every business already tracks time at some level - even if it's just for payroll. However the most successful businesses understand that time tracking is just the beginning and effective time "management" is critical to their success.

For Those That Already Track Time

Almost every company has some sort of time tracking system in place already. Many are nothing more than homegrown systems that rely on spreadsheets. There are even some that are still using paper-based and/or punch card systems. Still those that may have fully automated time tracking systems in place, may not be using them to their full potential.

These companies are struggling to understand how to make use of time data to its greatest advantage. Being said, we should still give these companies some credit. After all, this process isn't as easy as it seems.

Some companies may understand the potential gains associated with effective time management but lack the right tools. While others simply have a distrust of time tracking systems due to bad information or bad experiences. Still others may believe that time tracking is a simple process and buy cheap systems that fail to deliver any real value.

An expertly developed and finely tuned time management system should provide information about the real-time costs of an organization such as:

- An understanding of true costs at every level of your business - at a team level, a job level, a project level, a department level, and a company level.
- Complete, real-time accessibility into these data for everyone who has the ability to make a difference.
- The power to redeploy and shift resources in order to optimize processes, drive revenue, and increase profits.

These advantages are based on the concept of timely, accurate and meaningful time data. Since time is a fundamental driver of cost, effective time tracking and time management are cornerstones for lowering that cost.

How Do Time and Cost Relate?

Understanding how time can effect resource allocation, gives companies a clear view into their true costs. While the concept of identifying costs shouldn't be something new for most companies, many experts agree that traditional cost accounting methods may not yield the right information. This information includes competitive strategy formulation and execution or project portfolio management.

New ways of understanding costs, such as activity-based costing, have emerged to help companies redefine and realign strategies. Yet these new methods are only as good as the data that feeds them - and data related to time is a critical input.

The Three Functions of Time Tracking

To understand time tracking as a core business process, we must first break it down into three fundamental business functions:

- Employee Compensation
- Client Billing
- Project Management

These functions are impeded if any of the systems that provide data to them fail to provide the right data at the right time.

Of the three functions, employee compensation and client billing are the most likely to be automated. However, companies that track time for employee compensation or client billing purposes may have systems that are ill-suited for gathering the data needed to improve project management.

The right time tracking system will address all three business functions to provide the greatest value—enabling not only the employee compensation and client billing functions, but allowing companies to also manage project costs.

Project Management

Companies may find it difficult to know which of their projects are profitable. An important first step is to know whether projects are on schedule or within budget; however, this step alone is not enough. Despite their abilities to remain within schedule and budget constraints, project managers all too often find themselves out of a job when their projects, product lines or research portfolios are deemed

unprofitable or excessively risky. Budgets and schedules alone won't make a company successful; only projects that create profits will drive success.

All projects, whether internal or external, must somehow drive the company to greater profitability. If they do not, they will be cancelled. The companies that manage their portfolios of internal and external projects skillfully — ensuring that all projects help the company make money — will be the companies who survive and succeed in good times and bad. The hard truth is that no company can afford to mismanage its project portfolio. Whether that portfolio contains two or two thousand projects, the goal remains the same — profit.

To reach this goal, companies need to be smarter about how they collect and use critical time data to evaluate project cost and performance, allocate labor and other resources, and estimate future project schedules and costs. They can reduce risk of failure by understanding the true costs of their project in real time and by taking necessary action sooner; when the chances of success are greater.

The right time data, accessible in real-time, is critical to solving project management problems. The right time tracking system enables companies to manage projects more profitably by allowing them to:

- Control costs and increase profits:
 - Monitor accruing expenses and catch budget overruns before they happen by comparing budgets to actuals.
 - Use historical data to prepare profitable bids in the future.
 - View all current expenses as soon as they are entered
 - Track and report costs by projects and sub-projects
 - Attach project-specific pay and billing rate to employee hours
- Leverage project information on demand:
 - Use web-based solutions to make information available as soon as it has been entered
 - Enter and track time from any location

- Track historical data accurately with globalized activity and task descriptions
- Collect all project-related data in a single program

Client Billing

Client billing is usually either internal, such as groups that charge their time back to a cost center; or external, such as consultants that bill clients for their time and other direct expenses.

Often, internal billing is sloppy or lumped into a vague “overhead” category. This robs companies of the ability to manage their internal investments. Worse, it makes cost reductions more painful, because the data is not sufficiently granular to enable “smart” reductions.

External billing can also be a source of profit leaks. If the billing process is not optimized, revenue recognition opportunities are missed. Client invoices are delayed when billing systems are error-prone. Paper-based systems, as well as more automated methods that still require “double-entry” of data, are good examples of billing systems that need optimization. Not only must clients be billed at the fastest rate possible, but billable hours and expenses should be tracked and managed carefully to prevent dropped bills.

The right time tracking system supports not only project management, but also enables companies to maximize revenue by capturing time, expenses and other products or services accurately so no billable items are lost or under-represented. The right solution allows companies to:

- Maximize revenues:
 - Create customized interfaces for ease in employee acceptance and compliance
 - Eliminate double entry errors through online approval routing and integration
 - Flag individual entries with appropriate accounting codes
 - Assign multiple billing rates to a single employee

- Shorten the cash flow cycle:
 - Enter time quickly and easily from any work location using web-based technology
 - Store all project billing-related data in a single program
 - Generate and send invoices any time during the project life cycle
 - Allow clients customized access to project time and expense reports
- Leverage billing information on demand:
 - Track available budget based on real-time information
 - Enter any type of client billing information in customizable fields
 - Automate calculations by running reports based on customized billing rules

Employee Compensation

Tracking time for employee compensation purposes means tracking either time worked or paid time off. For many organizations, each pay period brings late, missing or unreadable time-sheets, repetitive data entry and complicated calculations for employee pay rates and overtime or vacation rules. The right time tracking system, in addition to supporting project management and billing, automatically feeds data to the payroll process. It allows companies to:

- Improve payroll systems:
 - Set specific pay periods and calculations to fit the payroll process
 - Assign multiple pay rates to individual employees based on the type of employment or work
 - Correct prior period totals using negative and positive entries for accounting records
 - Export information into existing payroll, project management, and accounting software easily
- Increase productivity:
 - Eliminate double entry by entering information once
 - Automate workflow and manager approval of time sheets

- Schedule repetitive activities such as email notifications
- Define business rules for managing specific classifications of work like automatic recognition of overtime and vacation accruals

Business Strategy

Time resource allocation drives a company's costs and directly affects its profits. Companies that do not see, clearly and immediately, where time is being spent have less control over their destinies. It is not enough simply to take a stab at the problem of accurate and consistent tracking time. To win the game, time tracking must be treated as a core business process, feeding both competitive and functional strategy development. What remains unmeasured and unseen cannot be controlled.

Whether a business competes through cost leadership, differentiation, or by niche focus and specialization, effective strategy formulation and execution depend on accurate data. Cost leadership strategies are commonly associated with time resource allocation, since staff time is a key driver of costs. Differentiation and specialization, however, are also highly time-dependent. In fact, most companies that differentiate or specialize possess an unrealized advantage that can be tapped by a better understanding of time consumption.

Functional strategies also rely on time as a basic performance indicator. To identify needed operational changes, optimize processes, improve linkages between functional units, or manage channels, a company must start with a truthful picture of its time distribution.

The key to any business strategy, then, is a highly detailed map of a company's time landscape. The right time tracking system enables better business strategy and execution by:

- Supporting key decisions with the most accurate picture of project and activity profitability

- Making time data meaningful in the larger context by allowing maximum flexibility in the way data are collected, structured, and reported to accurately reflect business realities
- Streamlining operations by integrating cleanly with existing business-critical systems that rely on fresh, accurate time and expense data

Sustaining Advantage

Achieving a sustainable business advantage requires that decision makers understand the true competitive and functional impact of time expenditures. The vital, but often unrealized, need for realistic time data can be embraced to create tools for change and growth. While mediocre companies look at their businesses in the same old ways, skilled competitors wield the advantage of time, leaving their rivals hopelessly behind.