

6 Steps to Time Tracking Nirvana in Microsoft® Dynamics™ ERP

White Paper

Executive Summary

If you're a user of a Microsoft® Dynamics™ ERP system and you've decided that it makes sense for your company to get started with time tracking, follow this six-step process to reach time-tracking Nirvana. Guiding your company forward to a

tracking environment requires changes to your corporate culture. Start by explaining the benefits of doing this to the company. If you understand your costs, you can run your business. Otherwise, you're flying blind.

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Time, expense and resource tracking is essential for any type of business. Simply stated, tracking time and expenses helps you to understand your company operations at a much higher level. From there, you can recognize where and how to make truly substantial improvements to how your business moves forward.

For any business attempting to identify and improve pain points, the truth starts and stops at how effective your time and expense tracking system is within the organization. If you're already utilizing a Microsoft® Dynamics™ ERP system (such as GP, NAV, AX, or SL) for accounting and/or payroll operations, there's good news ahead: you already have some baseline tools available to you for tracking employee time and expenses within your organization.

Effective tracking will pose some definite challenges and shifts in how you operate. However, several small changes instituted over time will produce dramatic improvements to how your business operates – and how much earning potential you can achieve. These 6 steps show you all the methods you need to address each critical area of your business and move toward your own time-tracking Nirvana:

- Improved Accuracy in Time Tracking
- Better Insights into Profitability and Cost Improvement
- Faster Identification of Areas of Growth or Opportunity
- Greater Efficiency Within Payroll Systems
- Heightened Revenue Potential Within Billing

Level 1: Chaos

Most knowledge worker companies today are at this stage. If they're a business services company, their client billing is inaccurate. If they're an IT division of a large firm, they do not know which projects are enhancing the value of the company and which are destroying it - therefore they cannot run their division like a business.



What to do to improve: Create a complete authoritative master list of the projects or processes whose costs you want to understand, along with a list of the employees that spend their time on that work. Begin with the end in mind. What will the reports that you want to get out of the system ultimately need to look like? Decide who will own the system and begin populating the system by adding new employees and projects to it. Get most of your people to start tracking time.

Level 2: Most Employees are Tracking Most of Their Time

Benefits: Now you have a basic idea of how your resources are spending their efforts and it will produce some surprises. Now that you've entered data in the system and employees are tracking their time, you have an accurate and complete list of your company's projects. Say, for example, you review the data and see that some projects have more time spent on them than you expected. Or you may find that 'fun' projects and maintenance activities are getting more attention from more people than you realized. Real data has already surprised you.

What to do to improve: Start measuring adoption by seeing how many employees you can get to track their hours and how often they enter it. Your data will be best if people track their time daily or even more frequently. Recording what you did a week ago is useless. Who remembers what they ate for lunch last Thursday?

Next, get everyone tracking time and expenses with pay rates. Now it's time to guide your company to the next level. Compute a pay rate for each person in the company and enter it in the system. Ask employees, where appropriate, to record mileage and travel expense data. Further encourage your entire employee base to track their data.

Level 3: Direct Costs are Known

Benefits: You now know your per-project-per-person direct cost data. Your estimation ability has improved dramatically through the ability to conduct data-based postmortems of projects. From a cost perspective you can begin to run your organization like a real business to a real extent.

What to do to improve: Provide for calculations of indirect costs and choose formulas for spreading that cost. Expenses incurred in your company in areas like accounting, marketing, office space, and other G+A (general and administrative) expenses can be organized by project cost, project revenue, per person, by square footage of office space used, or one of countless other ways. Often, two levels of indirect cost may be necessary. For example, if you are a business services company and have a customer for whom you are doing multiple projects, then you may have some partially indirect expenses that apply to that customer, but not for any specific one of his projects. There should be a formula for spreading that 'partially indirect' cost over more than just that one customer's projects.

Level 4: Per-Project and Per-Person-Per-Project Total Costs are Known

Benefits: Knowing the exact costs including the indirect costs of management and such things on every project and person allows you to understand which projects need help, which people are misallocated, and it shines a strong light on overhead costs. You have much of the data you need to improve your company's future.



What to do to improve: It's time to connect costs to revenue and then get profit.

Level 5: Revenue Integration

Benefits: Tools like Dynamics™ CRM (or similar sales automation technologies that record closed sales) provide a great way to track bookings (depending on your business, even revenue).

What to do to improve: Integrating your time tracking system into these systems can give you a profit report (or an approximation of one). Integrating the system into Dynamics™ ERP can connect time periods for revenue recognition to cost, giving a good estimation of profit on a per-person- per-project basis. For R&D departments or IT organizations or other knowledge worker organizations internal to a company, proxies for revenue like business value delivered can be used.

Level 6: Billing and Payroll Efficiency

Benefits: Integrating your time tracking system into your Dynamics™ ERP system makes the processes of payroll and client billing easier, quicker, and more accurate. No longer do you need to manually enter timesheet data into your accounting system, nor do you need to correct faulty data or fill in missing data. Everything is synced to Dynamics™ seamlessly and validated based on your specific rules.

Congratulations!

You've now reached time tracking Nirvana – per-person-per-project profitability measurement. And at every step, your situation is better than it was before. The process of transitioning into a full level of control may pose challenges across your organization. But as each of these steps shows, every aspect of your business operation will benefit with a more concentrated tracking system in place.

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The true rationale for these steps is not just about bringing together a more integrated level of time and expense tracking precision. The crux of this process extends far beyond just one element of improvement. You will enhance your time-based data, you'll have more insights about your pain points and overhead lapses, and you will even improve the time and efficiency within your Dynamics™ ERP system for critical processes like payroll and billing. In the end, this will all come together to make your business easier to operate with the greatest level of profit potential.



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