

Removing the Roadblocks to Project Accounting Success in Your Organization

White Paper

Executive Summary

In a knowledge-based economy, organizations must implement new practices to understand the costs of doing business. With advanced project accounting methods, businesses can gain greater insight into their project processes, per-project profitability, and employee productivity.

If you have 100 people in an R&D group and you're not tracking time, then you're wasting the lives and work of a significant percentage of your employees.

The era of manufacturing and farming has given way to one of knowledge work. This is old news in the U.S. but, in our lifetime, the transformation that the developed world is currently undergoing will be experienced by the vast majority of humanity. Eventually, nearly everyone will be some sort of knowledge worker.

Companies like Wal-Mart, Dell, and Archer Daniels Midland exemplify how well the problem of materials management is already solved. Knowledge, process and project management, however, are still relatively nascent fields.

Out of our 50-millennia history, only in the last 50 years have we seen knowledge workers become a significant portion of the economy. These numbers are still growing and will, in our lifetime, encompass the majority of workers globally. Think about what your parents and grandparents did for a living. Chances are they were farmers or factory workers for at least a portion of their careers, not knowledge workers.

Project accounting is how we understand production costs in a knowledge economy. So why all this interest in project and portfolio management, time tracking and project accounting solutions? Our hunter/gatherer ancestors implicitly knew the costs of doing business. Materials oriented businesses, like manufacturing and farming, have had adequate accounting systems for thousands of years.

The knowledge worker-dependent businesses of today, though, are relatively new and for the first time since accounting was invented by Babylonian farmers thousands of years ago, nobody knows their costs. If you don't know your costs, you don't know where you're profitable. And if you don't know where you're profitable, you can't steer your company to success.

What are the Roadblocks to Successful Project Accounting?

Project accounting is the practice of creating financial reports specifically designed to track the financial progress of projects, which can then be used by managers to aid project management.

The biggest impediment to success in project accounting is employee resistance to data collection. **But why do people hate to track their time so much?**

Reason #1 Reporting time can threaten status.

For salaried people, especially if they have been employed earlier in their life in an hourly “time clock” environment, reporting time can make them feel demoted. Conventional wisdom is that “professionals” are more trustworthy and less in need of supervision than “blue collar” people. Yet, we know this isn’t close to being correct.

Reason #2 “What if I find out that I don’t work as much as I like to think?”

Some people -- often the most productive -- garner self-esteem from the large number of hours they work. But sometimes they’re not sure if they believe their own braggadocio and the thought of finding out the truth is scary.

Reason #3 Time is a bad metric for effort or productivity.

Knowledge workers know that managers, who have the power to reward some people over others, often forget the vague and aggregated metrics of real productivity in favor of some simple numbers that are tangible, like time records. Managers may take the easy path of rewarding based on time spent rather than develop more subtle and appropriate metrics of real productivity (hint: don’t do this).

Reason #4 “I’m too busy.”

The busiest, most responsible employees - the productive ones whose time is in highest demand - will, sooner or later, always have to stop doing the primary mission of the company to fill out a timesheet. The star employees tend to procrastinate when it comes to this task, or even outright refuse to do it. Worse still, they may unintentionally create flawed records. Meanwhile, the malingerers and marginal producers will often create perfect time records and never submit them late. This creates an impression in the minds of both that the whole exercise is worthless.

These are four of just a few of the common excuses for employees not wanting to track their time. So, given these, what are some remedies for these impediments to success?

Removing the Roadblocks

Education and Buy-In

The most effective way to get people to do anything is to make sure they understand what’s in it for them. In the case of payroll for hourly workers, since they want to get paid, it’s easy. In the case of billing automation, it’s revenue for the company. Most people can understand this because most people care if their company succeeds. Project accounting is more abstract. Bad project accounting leads to unnecessary overtime, stress, blown schedules, bad estimates and cancelled projects. Citing specific examples from your company’s history where accurate time collection could have made things easier for your employees helps to get them on board.

Adoption Dashboard

Data visuals that make clear to managers which departments and people are entering their time consistently and completely and which are not, help managers understand early who they need to push on (to the degree a top-down approach works in the company’s culture).

Incentives

Tying bonuses or other benefits to complete data collection is often used in customer relationship management (CRM) tools to adjust sales commissions. The same can be done for other forms of data collection. Journyx has a patent – we call it the ‘frequent flyer patent’ – for rewarding employees (on your behalf) for logging time and expense data in a timely manner.

Phased Rollout

Adopting a multiphase rollout approach that leads to per-person per-project profitability allows you to affect the culture in more manageable steps.

Email Reminders

Getting an automated reminder when your time has not yet been recorded produces results.

Implementing Time Tracking for Project Accounting

If you have more than about five people in your organization and they are working on multiple projects or within many processes, it is time to start thinking about implementing time tracking. If you have 100 people in an R&D group and you’re not tracking time, then you’re wasting the lives and work of a significant percentage of your employees. Odds are you have them working on projects that the market isn’t interested in, or that are over-budget or otherwise in the ditch -- and you don’t even know it.

In his book “The Seven Habits of Highly Effective People”, Stephen Covey argues that you should track your time even if it’s just for yourself. If you do you will certainly be surprised by the data; however, we have found that the business value is really delivered in terms of understanding profitability for organizations of at least five people.

The Future of Project Accounting (Probably)

What will the future of project accounting look like?

The Achilles’ heel of project accounting is data collection -- mainly time tracking. The Achilles’ heel of time tracking is compliance and adoption. Journyx has built-in email reminders and adoption dashboards to alleviate that problem somewhat. Further, we’re working on speech input, mobile devices, and integrations with popular tools – like call-center software and cash registers – in specific industries to gather time records automatically. We’ve also launched on-demand web sites so you don’t have to install anything more than a web-browser. (Or convince your cranky IT people to help you.)

This last development is particularly intriguing. The software industry has shifted from customers installing software at their physical locations to renting web-based software over the internet on a monthly basis. You might know it as SaaS or Software-as-a-Service. It’s moving this way because customers want it to, and so do the most of the reputable vendors.

Most software companies get their revenue from selling “shelfware” (software that is rarely used and ends up on the proverbial shelf). Popular programs - from Quicken to SAP - for which customers pay the total cost up front - can be complicated, making them difficult to use and achieve maximum benefits from. However, once a customer has paid for these programs, there is little incentive for the company to follow up and ensure that it is working properly for the customer.

But things may be improving. Software-as-a-Service companies are quite successful in “renting” software over the web to their customers. If customers sign up for a monthly service from one of these companies and the solution doesn’t work, customers will likely stop using the software after a month. This gives the software providers incentive to pay attention to customer usage, understand whether or not the technology is providing business value, and strive to increase its value. With this model, everybody wins because interests are more aligned.

And that’s a future everyone will profit from.

Additional resources:



***Get Better Timesheet
Data & Increase Profits by
Empowering Your People***



***Project Costing for
Maximum Profitability***

About Journyx, Inc.

Founded in 1996, Journyx offers customers two solutions to reach the highest levels of profitability: Journyx – project, time and expense tracking software – and Journyx PX – resource management software that provides work and financial forecasting for a complete picture of project and budget status, employee time and availability. Journyx has thousands of customers worldwide, including Boehringer Ingelheim, Schlumberger, BP, Honeywell and many others. For more information, visit www.journyx.com.