Job Costing and New Business

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When planning implementations of project management software for creative companies one of the issues that comes up all the time is how to treat new business pitches. There tend to be two main types of those new business pitches: Pitches to existing clients for new jobs and pitches to potential clients for new business. The first type is relatively straight forward as the clients will be on the system, there will be old jobs for them which can be used as templates for pitches and there is a general understanding of the probability of the job to happen. Hence these jobs can just be setup like any other jobs, but maybe with a status or a job type of pitch. Estimates, time and probably costs can be recorded against them.

A totally different case are pitches of the second type. Traditionally the time and costs spent on those pitches have in many agencies been swallowed as overheads and been written off either if they were won or lost. In the latter case as the potential clients have not become actual clients, they have not been setup on any systems. This was in particular the case where an accounting system was used for the project management, as there is no point to setup a debtor if there won't be a sales invoice.

When discussing the setup of the new job costing software with integrated accounting, managers and the finance department often plan to continue with the same procedure in their new software: Set one big new business job up for an internal new business client, record time at a zero billing value and write off any costs incurred in the pitching process. This approach seems to be both logic and easy to implement. After all you want user acceptance of the new system and don't want to over challenge them with additional administrative tasks.

There is on the other hand a strong argument against this solution: You have just invested into a new project management software that is going to make your business more effective and hopefully increase your profit. If you now lump all the costs for new pitches into one holding job, you will not get the details out of the system about which clients it is profitable pitching for and which ones it isn't. You may repeatedly pitch to some potential clients, where you never get the business. Creating a new job for each pitch on the other hand will later make it very easy for the agency to see where it is feasible to pitch or where it isn't. Clients can be setup being earmarked as warm lead, or hot lead allowing to exclude any clients with no jobs from the standard accounting reports. All pitch jobs are set up with a billable rate card rather than recording time at a zero value. In case the job gets won in the future, the clients earmarking can be changed in the job administration screen.

At the end of the day, you have a project management system that sits on top of a data base. The only purpose of a data base is holding data, therefore anxiety of filling up the data base thus losing crucial management information would completely defeat the object.

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Originally from a legal background, he has several years experience in planning and implementing Job Costing and Accounting Software Systems in the Creative Industry. He has also delivered training courses in the UK, Europe, Dubai, the US, China and Australia. Prior to that he worked as a senior business consultant in Hong Kong and as a department manager of a design department in Hong Kong.