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Job Costing in the Credit Crunch - More Crucial Than Ever

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Marketing budgets in retail and other industries are often the first ones to be frozen, when credit is harder to get by and consumer spending slows down. As a result, companies in the creative industry find it more difficult to obtain jobs. In such times when business stagnates or is on the brink of a downturn, investing in a job costing system and staff training in this system might be the last thing on the mind of a decision maker in an agency.

This however is quite a misjudgement:

- Enterprises that have a project management system in place quote as the biggest advantage of that the streamlining of work processes and avoidance of work duplication. Where the job costing system integrates with the financial system this is an even greater strength:

If a second member of staff has to duplicate administrative work already executed by a colleague in another part of the business, this person's time cannot be used for pitching for new business or project related work. It makes absolutely no difference if this duplication of work occurs on a project manager level for tasks performed in the finance department or by finance staff re-entering data already processed by project managers, because despite members of the finance team sometimes being seen as a necessary overhead, keeping on top of the finances and doing the client billing is actually project work (from a commercial point of view the most important project work).

The improvement of the effectiveness of a workforce is the most economic way to keep up profitability of the business and stay clear of staff reductions.

- Other important benefits of project management systems are the planning and budgeting and following on from that the budget tracking of projects:

Again if these functions are crucial in growth times they are even more important in economically challenging circumstances. When the target industry has reduced marketing funds it is more important for agencies to base their pitches on sound internal budgets. It would prove costly to just win an unsuitable project and completing this project with a big loss due to a lack of initial planning and the right resources, when at the same time losing out on projects much better matching the agencies portfolio and the expertise of it's resources. With the right budget planning in place from the beginning of a project, a job costing system will help to make sure that this budget doesn't overrun or - in case it's limit is approached - flag that up immediately, giving the organisation a base to negotiate with the client an increase of the original fee.

On average, agencies that have project management systems in place experience an improvement of their profitability of around 30 to 40 % due to better planning, better tracking and thus billing of time and costs and an increase of staff time gained from fewer days spent on duplication of work. All those advantages, that are useful to have in good times, might just put your company on the cutting edge during this time of the Credit Crunch.

© 2008 Volker Bendel - Volker Bendel is manager of the training department of Agency Software Worldwide, the producers of the "Paprika/Rebus" job costing software <http://www.paprika-software.com> and <http://www.rebus-software.com> Originally from a legal background, he has several years experience in planning and implementing Job Costing and

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