Job Title or Task Function - Which Is the More Accurate Base to Value Time On?

By *Volker Bendel*

A crucial decision to be taken when planning the implementation of a new integrated job costing and accounting system in a creative agency is what to base the rate cards on. This applies to rate cards for both, creating fee proposals as well as - and even more important - applying a value to actual time recorded by staff.

The majority of systems will offer the ability to set up rate cards for different clients or projects, which are then used to generate project fee proposals as well as populating monetary values for actual time spent on project work and recorded via a timesheet module. In most cases those billing rate cards - unlike cost rate cards, if in existence - are not based on named individuals within an organisation, but on descriptions of work.

Two options for this description of work come to mind: The job title of an individual as in "Account Handler" or "Copywriter" or the task an individual performs as in "Account Handling" or "Copywriting".

In the composition of a client proposal this description of work is merely a linguistic choice of "-er" or "-ing", with the possibility to propose work by an "-er", as long as a rate card is set up, even if there is not actually a member of staff employed who holds that job title.

It is however a bit more complex to value actual time spent on projects by members of staff.

In particular for smaller or start-up companies, it is common to have a limited number of staff members who may be the resource for various tasks and services offered to customers. There may be a designer, who is used in a position of senior designer, junior designer or may even do the odd artwork or copywriting jobs if need be. Or there may be a partner and director, who still gets involved with hands-on work across a whole range of different activities.

In more established enterprises with a bigger pool of resources, staff usually engage in tasks according to their job title, designers are going to design most of the time and artworkers do artwork. There may still be occasions, where tasks other than the standard tasks are undertaken, but that is far less common than in companies with a smaller circle of employees.

1) If the time valuation is based on task functions it could change over a period of time or a range of projects:

- the same employee spends some time doing Artwork and some time doing Design and valuation by function therefore relies on staff members correctly recording the worktype they have performed.

2) If the time valuation is based on an employees job title, by definition this billing value cannot be overridden in the timesheet as Job titles are fixed for individuals:

- employees are assigned a role, when their staff record is set up in the system and this role is independent of the project they are working on.

There are pros and cons for both options:

If staff record their time with the activity they have performed it is likely that this task is in line with the plan for the project, projects thus don't go over budget just because the right resource was not available. Having said that, if there is a lack of the right resources, this is not immediately visible when looking at the profitability of jobs. Besides, asking staff to choose the right task description in addition to the project number, when they fill in their timesheet, adds another level of data entry and - with that - risk of human error.

If on the other hand staff time valuation is based on job titles, projects may look less profitable than expected in the case where the wrong resource had to undertake the work. However this seems to be a more realistic reflection of the profitability as billing rates are usually related to staff cost rates and the cost of a member of staff doesn't fluctuate just because different types of work are undertaken over a period of time. Secondly the risk of human error is removed and visibility of where the right resource was - or more important wasn't - available is improved.

The slight reporting disadvantage of the second option with regard to the analysis of what functions people have undertaken can be overcome in most time recording packages with the utilisation of work description codes merely for analysis purposes. People record their time against the job and specify from a list of work types what they did without that having an immediate impact on the value of their time.

For all these reasons, whereas time valuation by activity may suit small and startup companies, many of the longer established and bigger organisations opt for the second procedure. Time valuation is in the first instance purely based on an individual's job title and cannot be manipulated by the employee.

If the job costing system offers the additional option for a list of task activities to be used for analysis purposes they get the best of two worlds.

© 2012 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). Originally from a legal background, he has more than 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, Singapore, Japan 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.

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