

How Much Is Your Time Worth?

I recently licensed new Contact Management software designed for accountants and tax preparers. One of the selling features of this software is that it supports Time and Billing practices.

Thus, everyone who works here would have an electronic timesheet and a timer, and we would track hours or parts of an hour that we spend on a tax return or other client activity, and would ultimately bill based on the time we spend.

In other words, we can rack up billable hours like the law firms that John Grisham likes to talk about in his books.

We're not going to do that. I like the freedom that comes with leading a small business, and I don't want to be constrained by a timesheet. It's a personal value thing with me.

But it got me to thinking about how we should value our time. Really, that's an issue for any small business - how much is your time really worth?

Oddly enough, at the same time I came across an article by Gary Boomer, writing for the National Society of Accountants, on this same topic.

Boomer argues against time-based billing. He says that time is merely a measure of effort, and not a measure of value.

I agree with him. I think in terms of effectiveness compared to efficiency. I'd rather spend the time and get the project done right (effectiveness), than simply crank it out within a standard time limit (efficiency).

Boomer's take is that timesheets are outdated - they are based on the old effort-based economy. Timesheets are really an industrial mode: a tax office might budget 6 hours to prepare a corporate tax return, and 45 minutes to do that kind of personal return. That sort of thing.

Or an HVAC company might budget 4 hours for a new installation and 45 minutes for a routine service.

In both cases, the manager would measure variances from Budgeted Time to Actual Time, and take action as indicated.

The manager or owner ultimately arrives at a value/pricethat s/he feels accurately reflects the labor and other resources consumed. This is what my time cost me, and by golly, here's what I'm going to charge!

But value in today's world is a composite of the results obtained as well as the perception of the value in the eyes of the buyer.

Value is partly what you do, and partly what your client thinks you did.

No matter what kind of business we have, we all have clients who value the wrong things, wrong at least in our eyes. For instance, we might do really superior work for someone, who doesn't have the vaguest notion of what we did. And some clients reward us beyond all reason for our doing just a normal job.

What I'm really saying is that the ultimate value of what we do is the price we put on our services. After all, we're supposed to know better than anyone else how much we are worth.

A timesheet billing model only considers internal factors an individual's time multiplied by that individual's billing rate. The timesheet billing model doesn't capture the client's value perspective, and thus misses the most important part of value.

The other part of value is what your client or customer thinks is worthy of payment.

It follows, then, that we owners of small businesses should pay more attention to the quality of the customer experience. The best work in the world may go unrewarded if the customer has an unpleasant experience.

I know a tradesman here in Fort Mill who has a long-standing business. He has a very high reputation for knowledge, skills, and ability, and his business ethics are impeccable. But he barely gets by, because the people in his office consistently create a most unpleasant experience for the customers.

Both he and the business suffer - and severely.

So what does this all mean for a small business, one with 1 to 50 employees? I think it means to worry less about internal things - like how many hours you spend on a task. And I think it means the owner should think more about the quality of the experience the customer has.

The broad lesson for many of us is that we do focus too much on internal issues. We strive for customer satisfaction, but even there we focus on what we as the owner can do.

So here's my bottom line: customer experience is more important than billing from time sheets. Consistently good customer experience is where the ultimate value lies.

Author: Bill Belchee

www.beaconsmallbiz.com

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