Managing your Time

Achieving commercial success is all about managing your “billable” time effectively, argues **Neil Backwith**.

At the hourly rates charged by our industry today, PR businesses should be making at least a 20% pre-tax margin. Yet my research tells me that the average for the industry is probably less than 10%.

Understanding why this should be and doing something about it has been among my passions for the last three years. And what’s emerged has been startling! It can be summed up in one obvious statement: most PR businesses are run by PR professionals, rather than by commercial business people.

Consider this question: what gets a PR professional excited? It certainly isn’t checking on the margin! No, much more likely it’s a new opportunity or winning a new account, delighting the client or breaking new ground creatively. It’s the salesman/woman in all of us – we’re desperate to win and even more desperate to please, almost regardless of the consequences. We’re in the service business after all! “Let’s win it first – we’ll worry about the money after.”

Now we can hardly say that wanting to win and please is a problem; far from it, it’s what our business is all about – provided we get properly paid for our expertise. And there’s the rub, more often than not we don’t.

We are so keen to demonstrate our talents that we do all our best thinking for a ‘pitch’ and give it away for free; and if we win, we rarely get contracts in place before we start work – if at all; we are poorer negotiators than the trained executives who negotiate for the client; we over-service in our desire to please and discount our rates ‘to ensure we’re competitive’. The list goes on and on. So how is it that some PR businesses do make very healthy 20%+ margins, don’t rip-off their clients, do great work and have a highly motivated, well-rewarded staff?

It comes down to one thing, a commercially driven culture overlaid on our professional skills. And I say “overlaid” quite deliberately because it must come from the very top. If the CEO isn’t commercially driven the business won’t be either.

So what does “commercially driven” look like? Compare these lists and ask yourself which matches your business more closely:

Professionally driven:

Puts client satisfaction ahead of making profit; puts creativity ahead of profit; makes investment decisions based on service improvement; invests whatever it takes to win new business; starts working first and worries about the contract details later; believes that client retention is always critical; accepts the “I’m here to do PR not be an accountant” attitude; is prepared to “negotiate” hourly rates; accepts over-servicing as normal practice; expect staff to work long hours with no “overtime”.

Commercially driven:

Ensures client satisfaction delivers profit; uses creativity to underscore value; makes investment decisions based on financial return; invests appropriately in new business opportunities; gets the terms of the contract agreed up front; regularly reviews and ‘weeds’ client list for profitability/opportunity; encourages pride in “billability” not just in good work; offers no rate discounts; sees over-servicing as “under-recovery” and bad practice; encourages a proper work–life balance.

The lists go on but the picture is all too clear. However the most common question I’m asked when I talk about the concept of Professional vs. Commercial drive is this: “surely it’s just a question of balance isn’t it?” Well in short, no.

There is no balance to be struck between the fundamental drivers of your organisation. Either you are commercially driven or you’re not. Commercial success must be the goal, professional strength is part of the strategy to achieve it.

Achieving commercial success is all about managing your “billable” time effectively. It’s about setting clear targets for each element that makes up the working week and measuring your performance against the targets. Ensure that your staff have clear targets, know what’s expected and are motivated (read “bonused”) to achieve them.

Here’s a typical weekly time-sheet analysis:

Item Description	No of hours
Billable work	21
Client investment	3
Training	2
New Biz	6
Admin	12
TOTAL	44

This is a fairly typical time sheet in my experience – about half the “worked” time logged as “billable” – a sad indictment in itself but exacerbated when you realise that “billable” doesn’t necessarily mean billed! Oh no, there’s “write-off” to come off that yet! You know, the “we can’t really bill that much because they’re expecting it to be less….”. The explanations are too numerous to recount.

And then there’s “client investment” – a great pot into which to dump unbillable time! Similarly, “new business”, especially when it’s for an existing client. And finally “admin.” – what goes in there is anyone’s guess!

The secret is to work out targets from the bottom up. Start with admin and decide how much time it should take – say five hours per week. Then set limits for client investment at say 5% of total time or, say, two hours per week. Agree the training target – say two hours per week and finally take a stab at the average new business requirement, say 10%.

Out of a typical 44-hour week that leaves 31 hours available for billable work – compared to the 21 hours in the “typical model”. That’s 50% more income from the same working week! And the only extra cost is the bonus you pay to your staff for achieving it.

But there’s more. Imagine that you only require 28 billable hours – still 33% more than before – that can be achieved in a 40-hour week without changing any of the other targets. So, more productivity and a better work/life balance – heaven! But still that isn’t the end. The next focus has to be on the conversion of billable time into billed time; and once again the secret is to set a target and incentivise the team leaders against the achievement. In one of our businesses this had the almost instant effect of reducing over-servicing from 17% to 1.7%.

Then, of course there is “planned write-off” – the agreed discounts we give to clients by fee rate reduction. This takes longer to improve but strong negotiation skills really help and remember, with new clients they almost always want to “negotiate the deal” after they have appointed you. That plays right into your hands, they want you, they’ve told you, so be tough and stick to a simple line like “I’m afraid we don’t do discounts but we can talk about other ways to deliver added value….”

Neil Backwith is Chairman of Countrywide Porter Novelli and CEO of Porter Novelli Europe/EMEA.