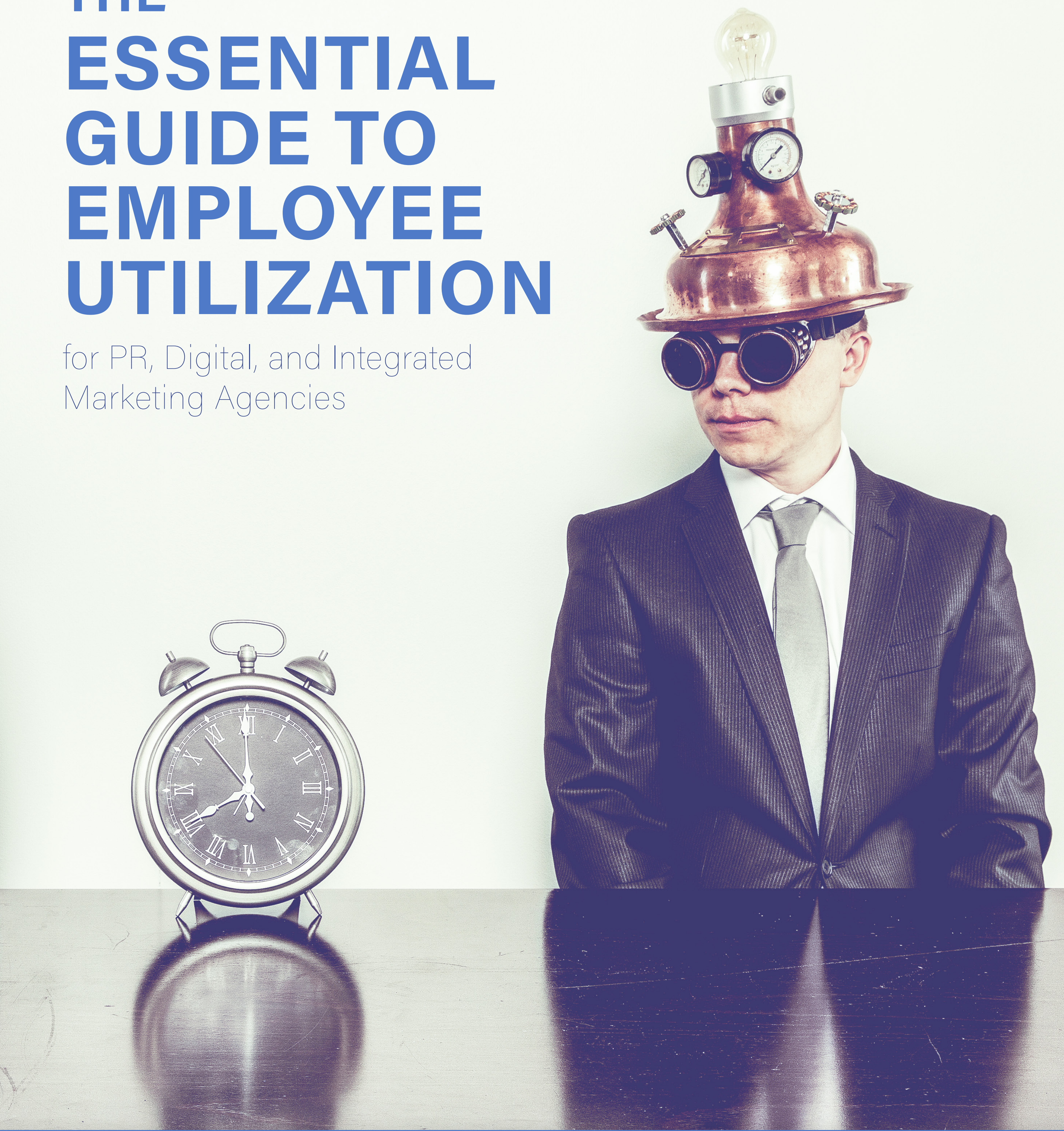
THE ESSENTIAL GUIDE TO EMPLOYEE UTILIZATION

for PR, Digital, and Integrated Marketing Agencies



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INTRODUCTION

Managing operations, finance, or HR for an agency is no easy task. There are constantly changing client needs, budgets of all sizes, and employees who are known to switch jobs quickly.

When people think of agency challenges, it's often in terms of reputation management, content creation, or landing positive press coverage. But there's an entirely different set of obstacles for the non-client-facing team.

- Which employees have the capacity to take on additional work?
- How are projects performing against budget?
- Are we maximizing revenue per employee?
- Do we have the right staff to take on new business?
- How accurate is our forecasting and benchmarking?

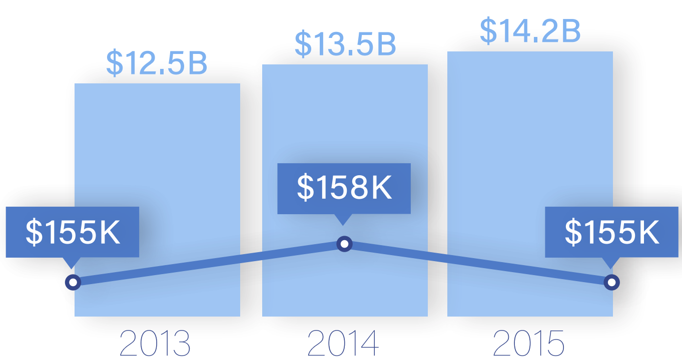
These are undoubtedly difficult questions, but with the right tools, they become much easier to answer.

INDUSTRY LANDSCAPE

Before we dive into the world of agency operations, let's take a look at the big picture when it comes to PR. According to the Holmes Report, the global PR industry grew by 5% in 2015 and reached $14.2 billion in revenue.

However, while overall revenue has increased, over the past three years, average revenue per employee has remained more or less unchanged.

Revenue per Employee



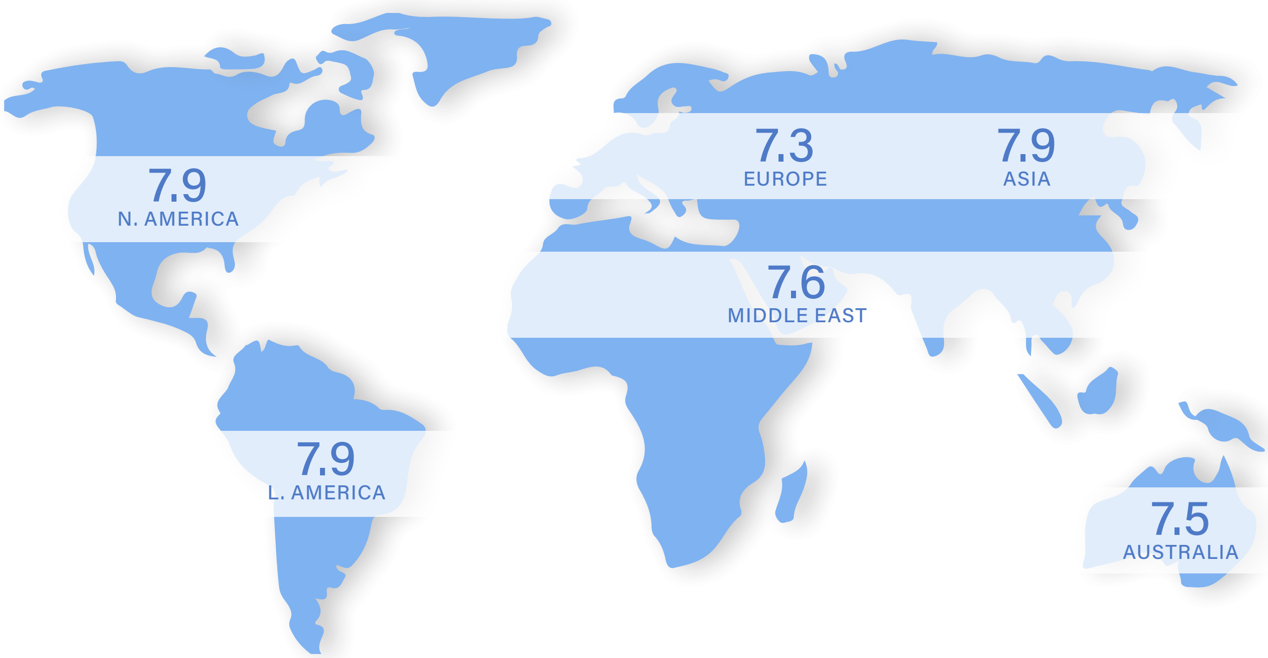
Source: 2015 World PR Report

But what about the future? Will there continue to be strong demand for agency work?

Market Pulse

In 2015, The Holmes Report and the International Communications Consultancies Organisation (ICCO) surveyed 500 PR agency principals and asked them to share their thoughts on the future of the industry.

"On a scale of 1-10, how optimistic are you about the growth of the public relations market?"



Source: 2015 World PR Report

Let us know what you think about the future of the industry!

6 KEY METRICS FOR RUNNING A PR AGENCY

Every agency has different ways they evaluate their performance. But certain metrics are universal. By properly measuring and reporting on the right metrics, agencies are able to increase revenue, reduce costs, and position the organization for long-term success.

1 **Revenue per Employee**
On average, how many dollars is each team member bringing in?

2 **Revenue per Non-Admin Employee**
Excluding your administrative staff, how much value — in dollars — is each employee adding to the agency?

3 **Employee Utilization Percentage**
We'll cover this metric in depth. In short, it is defined as the percentage of employee hours that are billable.

4 **Employee Turnover**
What percentage of the team left the agency?

5 **Total Operating Expenses**
Including utilities, rent, and everything in between, how much did it cost to run your business?

6 **Operating Profit (Profitability)**
After factoring in all costs, how much did your agency earn?

WHY EMPLOYEE UTILIZATION IS KING

You could make a case for any of the six key metrics to be the most important. Profitability, for example, is what ultimately makes or breaks an agency. But optimizing for profitability is complicated, as there are a myriad of variables to isolate. Revenue Per Employee is another powerful metric, but it lacks depth. It doesn't provide the answers to critical questions, such as:

"Can my team take on **more work**?"

"Do I need to hire **more employees**?"

"Are we **working as efficiently** as possible?"

This is why Employee Utilization is such a valuable metric to measure. It impacts all the metrics around it.

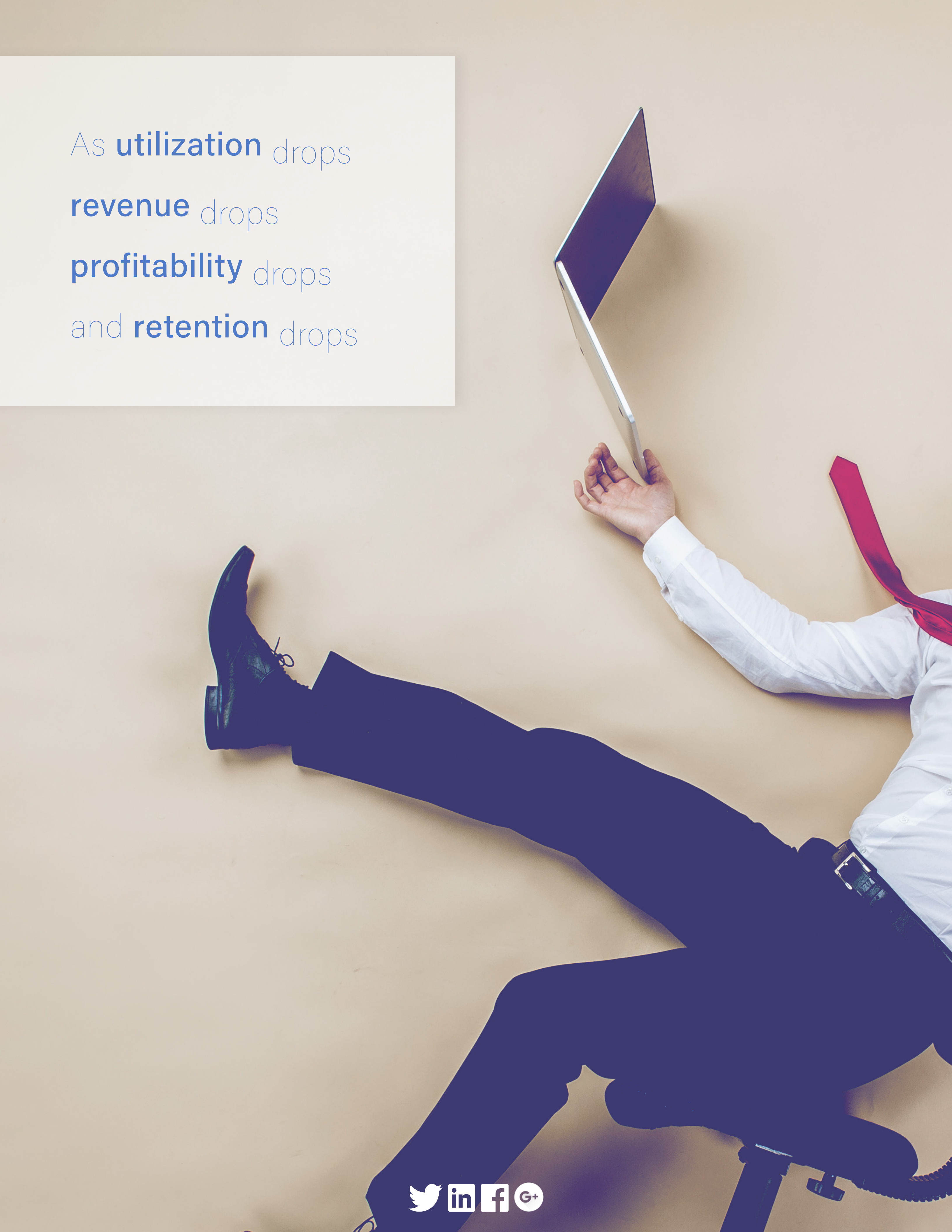
If you increase employee utilization, you have the ability to increase revenue per employee and operating profits. You can reduce operating expenses and even help stem employee turnover.

As **utilization** drops

revenue drops

profitability drops

and **retention** drops



HOW WELL DO YOU KNOW YOUR TEAM'S UTILIZATION?

How are your employees performing? Are they free to take on additional work? Are they over servicing clients or spending too much time on non-billable projects? How does your team stack up against the industry average?

Average Employee Utilization Rates

37% PRESIDENT / CEO	**82%** ACCOUNT MGR
60% EVP / SVP	**85%** SR EXECUTIVES
68% VICE PRESIDENT	**86%** ACCOUNT EXECUTIVES

Source: Gould + Partners 2014 PR Agency Industry Billing Rates & Utilization Report

Psssst! If you want a free utilization report on your team, let us know.

Can You Share a Ridiculous Employee Utilization Metaphor?

Employee utilization is a jaguar. It's also an otter, a sea star, and a California mussel. That's because employee utilization is not merely a business metric — it's a keystone metric. Simply by existing, it alters everything around it. And if it disappears, or its numbers dwindle, the entire ecosystem is at risk.

Jaguar, or Panthera onca, is a keystone species native to the Americas.

A keystone species is a species that has a disproportionately large effect on its environment relative to its abundance. Such species are described as playing a critical role in maintaining the structure of an ecological community, affecting many other organisms in an ecosystem and helping to determine the types and numbers of various other species in the community.

HOW TO MEASURE AND MANAGE EMPLOYEE UTILIZATION

Good news! We live in the future. (More or less.) Measuring, managing, and improving employee utilization is easy than it ever has been. Here's how you can get started:

1. Track employee time

While no one enjoys tracking time, it's a critical first step to measuring employee utilization. Without knowing how long employees are spending on various clients or projects, it's virtually impossible to take control of your organization's utilization.

2. Set realistic utilization goals

"All employees must be at 99% utilization! Or else!" This clearly will not work. Set modest utilization goals that your team can hit, and increase them over time as you gain a deeper understanding of your business. You'll want the entire team to buy in on their utilization targets, while you simultaneously drive new efficiencies throughout the organization.

3. Analyze which employees are under or over utilized

The data will tell the story. Quickly. In a less than a few months, you should know exactly who on your team is properly utilized. (This data will also allow you to see which employees are the most or least profitable!)

4. Analyze which services, clients, and industries are associated with utilization issues

Identifying the issues that negatively impact employee utilization can take a little digging.

It may not be a particular employee or team that is over or under servicing your clients. Issues with utilization may stem directly from the clients themselves! This could be a specific client that is putting a strain on your resources, or even an industry that tends to be challenging to work with given the budget (startups, for example ...).

Or, there may be certain projects, like branding or messaging, on which your employees are continually spending more time than is budgeted.

Once you have this data, you can make an intelligent decision on what to do — whether it's revisiting benchmarks, pricing, or just having a frank discussion with the management team.

5. Talk to your employees

Improving employee utilization is not solely a top-down exercise. You want to enable the entire team to speak up and raise their hand when a client is requesting out-of-scope work, or when they have free to time to pitch in on other projects.

By educating your employees on the importance of employee utilization and why it matters to the health of the business, your team will better understand the decisions you make as your agency grows.

6. Plan for the future

What will employee utilization look like next month? How about the month after that? What if you win new business? What if an employee or client leaves?

Fear not! Employee resource planning tools can make it (relatively) easy to understand employee utilization, project budgets, and real-time employee capacity to take on additional work.

MORE EFFECTIVELY STAFF PROJECTS AND TEAMS

clicktime.com/pr

WHAT SHOULD MY UTILIZATION RATE BE?

If your employees are performing client-facing work, they should be at a 90% utilization rate. That only leaves 10% of their time for non-billable activities.

Does 90% seem high? For an agency to be profitable, account execs and other billable employees must carry the costs of agency executives, marketing, admins, and anyone else not generating direct revenue for the firm.

Here's what agency M&A expert Rick Gould has to say on the matter:

> "Monitoring and measuring staff utilization and productivity is a must for a firm to attain 20+ percent profitability and for continuous growth and building value. The majority of PR agencies are leaving money on the table by not having laser-like focus on utilization. Any staff that is only involved in client work and not involved in managing the firm and/or new business should be at a minimum 90 percent utilization."

OVER-SERVICING

o·ver·serv·ic·ing /'ōvərsərvəsiNG/, *v.*
The act or process of performing out-of-scope, unbillable work, typically on behalf of paying clients.
"The struggling agency could have billed an additional $100,000 last year, if they had stopped over-servicing sooner."

Say it with us: Never over-service again! One more time. (You can say it out loud if you are at your desk.) Never over-service again!

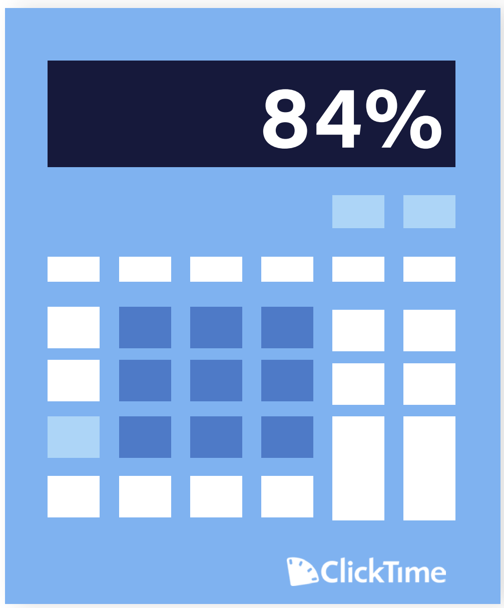
Of course there are going to be those rare instances when over-servicing is necessary to appease a client or finalize a major campaign, but almost without fail, over-servicing hurts your business.

When you over-service, you are working for free!

Over-servicing reduces employee utilization, limits employee capacity to take on other billable work, and leads to difficult conversations between account execs and their budget managers.

Even by reducing over-servicing just a few percent, you could increase billings by tens or even hundreds of thousands a dollars per year.

Take a look. How much more could your agency be billing?



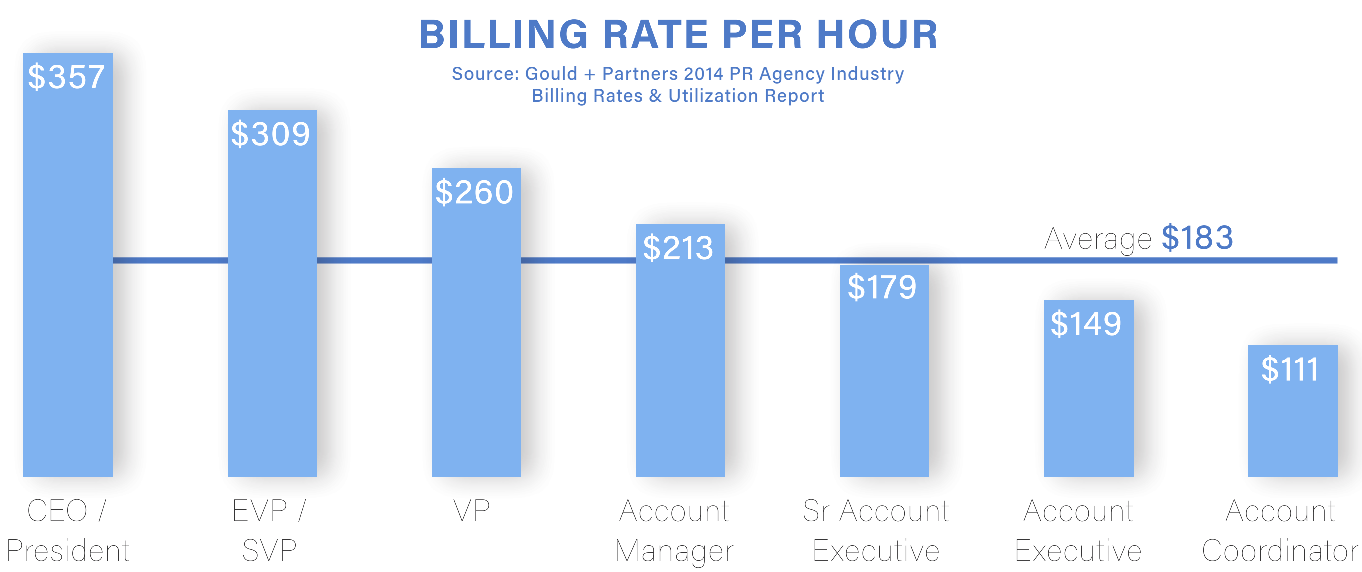
Employee Utilization Calculator

AVERAGE EMPLOYEE BILLING RATES

We hope you enjoyed the over servicing calculator. The results can be stressful, especially if you add up how much more you could have billed last year. Or the year before that. And so on.

It's ok. Take a deep breath. You are a professional, and you will be fine.

One of the variables in the calculator was Average Billing Rate. How do your billing rates compare to the national average?



REVENUE PER EMPLOYEE

And while we're at it, let's take a look at the average revenue per employee at some of the top firms around the world.

Edelman

HQ

EARNINGS **$854,576,000**

EMPLOYEES **5,849**

Revenue Per Employee

$146,106

mc GROUP

HQ

EARNINGS **$162,317,350**

EMPLOYEES **808**

Revenue Per Employee

$200,888

fsbcomunicação

HQ
EARNINGS **$63,025,835**
EMPLOYEES **704**

Revenue Per Employee
$89,525

vector

HQ
EARNINGS **$82,000,000**
EMPLOYEES **450**

Revenue Per Employee
$182,222

TEXT100

HQ
EARNINGS **$68,094,730**
EMPLOYEES **602**

Revenue Per Employee
$113,114

PLMR | POLITICAL LOBBYING & MEDIA RELATIONS

HQ
EARNINGS **$4,858,248**
EMPLOYEES **29**

Revenue Per Employee
$167,526

Source: Global Top 250 PR Agency Ranking 2016

THE GOOD KIND OF NON-BILLABLE HOURS

If managing employee utilization is all about making sure employees are working enough billable hours, how are you supposed to assess non-billable work?

While they do not directly generate revenue, some non-billable hours are not only good for the agency, they are necessary to ensure its survival.

Recruiting

Searching for and interviewing quality candidates is a must. If you're going to grow, you'll need to bring new talent onto your team.

The more employees that can interview and help select the right candidate the better. Yes, this time is non-billable, but it's an investment in making the right decision for the company.

Employee onboarding

Congrats! You've hired new team members. Now, you never have to think about them again! All their hours will be billable and they will never leave!

Back to reality: It takes time to acclimate new hires to company culture, vision, and values. According to a study by the Wynhurst Group, employees who go through structured onboarding are "58% more likely to remain with the organization after three years."

Just like recruiting, employee onboarding is part of the cost of running an agency. Proper investment here can pay dividends in terms of reduced turnover, increased employee engagement, and stronger relationships across the team.

Team building

Effective teams are made up of employees who trust, help, and respect each other. Sometimes, the best way to get everyone working well together is to host a team building event. This can be anything from a happy hour to a baseball game to a trip to Hawaii. (If you're taking your employees to Hawaii, please consider temporarily hiring some of us at ClickTime. We love it here, but we also love Hawaii.)

As a bonus, team building events make for some pretty good recruiting posts on social media.

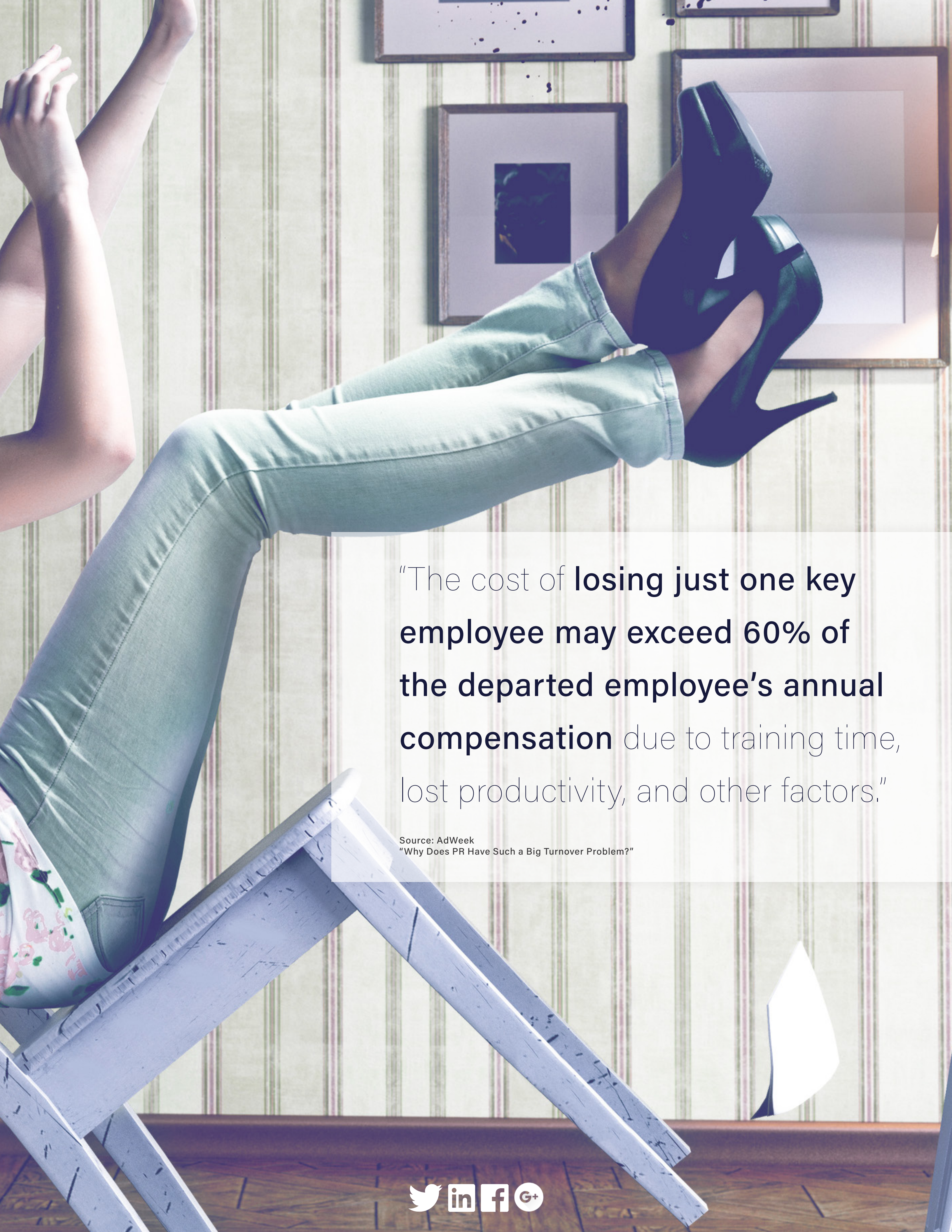
Team decision making

For smaller or boutique agencies, it's critical that the entire team is looped into the decision-making process around company culture, values, and even what types of customers you should service. Internal meetings and collaborations of this nature can't be billed back to clients, but they absolutely critical if you're attempting to build employee engagement and align the firm around one clear set of goals.

Account post-mortems

What happens when you lose an account? Or when your team is able to turn a one-off project into a long-term customer partnership?

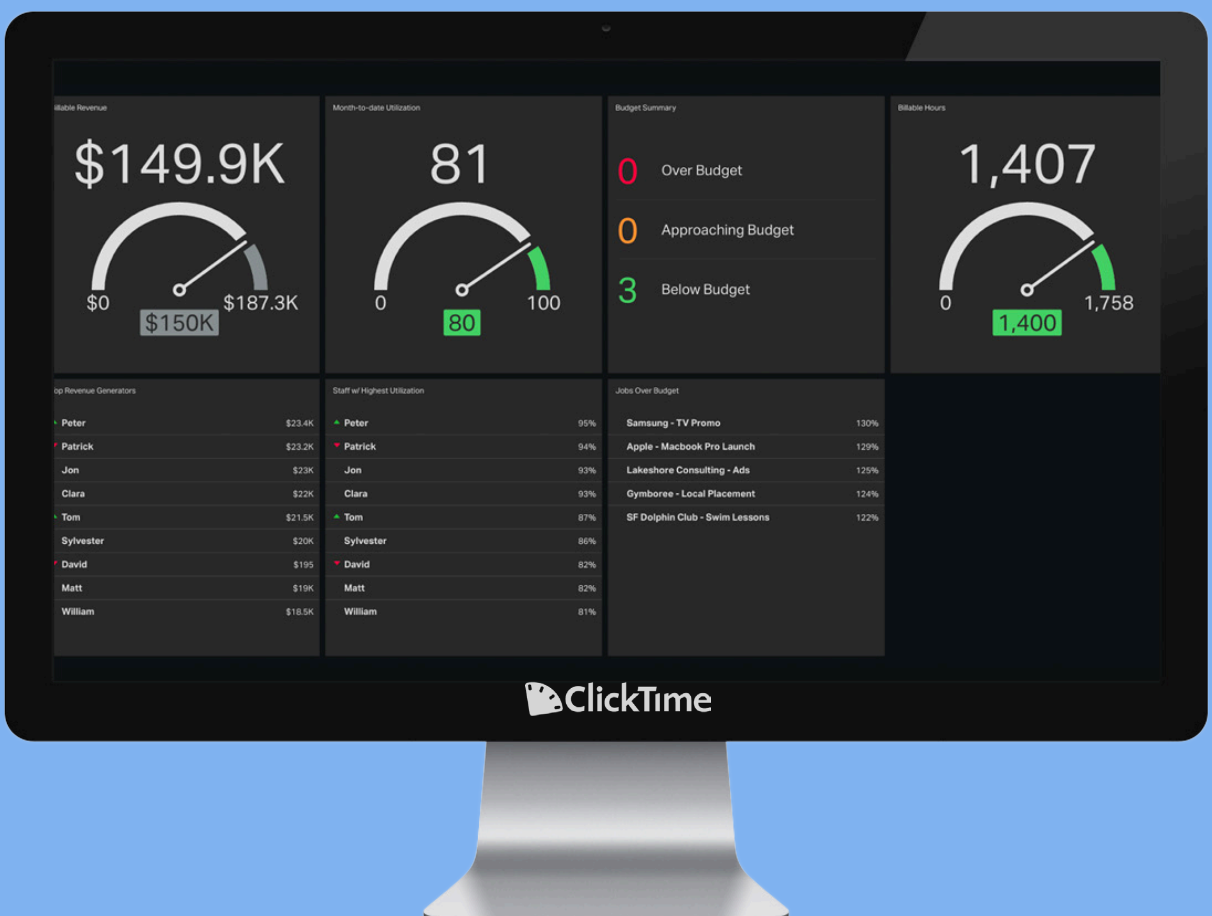
Top-performing agencies understand why sales, BD, and account management efforts are or are not successful. Does this take time? Absolutely. But it's worth it.



"The cost of **losing just one key employee may exceed 60% of the departed employee's annual compensation** due to training time, lost productivity, and other factors."

Source: AdWeek
"Why Does PR Have Such a Big Turnover Problem?"

READY TO MAXIMIZE EMPLOYEE UTILIZATION?



Get started with a free 30-day trial of Resource Planning by ClickTime.

clicktime.com/pr

WHAT AGENCIES ARE SAYING ABOUT CLICKTIME

"ClickTime saves our team hundreds of non-billable hours a week — and nearly $200,000 a year."

Annemarie Anaya
Accountant, Eastwick Communications

"ClickTime is invaluable. By improving how well we understand and manage our reasources, we can run a more efficent business for the benefit of both clients and staff."

David Marsden
Director, Wildfire PR

"We run our business through Clicktime. It empoyers us to better manage budgets and more effectively allocate staff to projects."

Sarah McGeary
Vice President of Strategy and Operations

ClickTime

ClickTime makes it easy to track, plan, and manage employee time. Thousands of agencies, nonprofits, and other organizations use ClickTime to streamline operations, reduce costs, and maximize employee productivity.

Used by 1 in 4 of the top tech PR firms in the world

Tracked nearly ½ billion hour in 55 countries

Processes more than one billion dollars of billable hours a year

Preferred time tracking platform for the PR Council and the Public Relations Society of America

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