



Practicing Architecture

Managing for Prosperity in Precarious Times

By Steve L. Wintner, AIA Member Emeritus

Where can a firm executive find the answer to the future prosperity of their firm? As hard as it may be for many to believe, the answer begins, in my studied opinion, with the discipline of how to complete, that dreaded of all office tools, the timesheet.

For far too many firms, this tool is ‘something to be dealt with’ in everyone’s, including and especially the firm principal(s), spare time (e.g.: the weekend). I assert that the timesheet is the single most important resource of every firm and its level of accuracy could spell prosperity or doom, depending on the firm’s policy about how and when timesheets are to be completed.

Considering that the firm’s Profit/Loss statement includes a section defined as ‘Direct Labor Expense’ (DL), which is simply a total of all hours charged to projects during the defined statement period, multiplied by each person’s hourly salary rate (annual salary/2080 hours). The total of all of these DL hours’ is referred to as ‘Total Direct Labor’ (TDL) and is the denominator in calculating two very important financial performance metrics: the Net Multiplier (NM) and the Overhead Rate (OH). Once the OH is calculated, then it is possible to determine a firm’s (and any project’s) profitability. That’s the ‘Bottom Line’ for every professional design firm. Without a profit, a firm faces potential bankruptcy and could soon become extinct.

Now let’s go back to the oft-maligned and greatly misunderstood timesheet. If a timesheet is not completed in a timely manner (at least once every day) before the person leaves the office for the day, the hours on the timesheet will at best be an estimate and at worst, a ‘SWAG’.

If a person’s daily project assignment consists only of one project, then completing the timesheet at the end of the day is an acceptable minimum. I would still strongly urge consideration for the completion of the timesheet

twice every day. Once, just before taking a lunch break and then again just before departing for the day. This approach is especially critical if a person's daily project assignment is spread over more than a single project, or involves several different tasks and activities on a single project.

The use of a log to capture time spent at the conclusion of every task, or whenever switching to a different task, is an essential resource to enhance the accuracy of capturing project hours for the timesheet. Those who would embrace this type of resource then might conclude, and rightfully so, that if their time is captured accurately in the log, then they can complete their timesheet at the end of the week. In my opinion, this is the 'lazy' way out and avoids the need to develop a rigorous discipline and commitment to having their timesheet be timely (daily) and meticulously accurate. Besides, most firms now electronically 'collect' timesheets daily.

If the hours charged to projects are anything less than accurate, it will render the TDL figure as unreliable, at best. This in-turn will then make the two key metrics, Net Multiplier (NM) and Overhead Rate (OR), also unreliable and finally, the number shown at the bottom of the P-L statement, Net Profit, would be virtually meaningless.

Further, since the OR is unreliable, this will have an undesirable impact on the development of each staff member's break-even and billing rate. When project fees are developed this will become a compound error and will eventually be translated into an undesirable result in the profit earned on these projects; perhaps even a loss.

Overall, the compound problems created by inaccurate timesheets will continue to erode a firm's profitability and all because this 'tool' has been overlooked and ignored as the single most important resource of every firm.

Steve L. Wintner, AIA Member Emeritus, has been in the architectural profession for more than six decades and has been a licensed architect since 1968. Before retiring from active practice, Steve was the managing principal of a small partnership and Vice President of Operations for two of the largest architectural firms in the country.

In 1985, he started his second career as a management consultant, with a commitment to make a difference in this profession that has been so generous to him; by assisting other architects achieve their goals through the body of knowledge and experience gained in his career.

This commitment has lead to developing a series of workshops, which he has been presenting to national, state and local AIA components, since 1992. His financial management workshop was the basis of a recent book he co-authored with Michael Tardif, Assoc. AIA, Hon. SDA, Financial Management for Design Professionals: The Path to Profitability.

Steve serves a national clientele and is based in the Houston, Texas area.