



Why is time
tracking important?

Introduction

If you've never tracked time before, you might be surprised to hear that many veteran time trackers consider it the lifeblood of their business. It's one of the most important things they do, as indispensable as payroll or accounting or project management.

That's because time tracking touches on some of the most important areas of your business. Not only does it help you get paid if you're charging hourly, but it's like X-ray vision for your projects. It lets you know if you're making money on the work you're doing or burning through cash. It lets you know if things are on track to hit their budgets and deadlines, and if your team is working at a healthy rate.

Here are seven ways that tracking your hours can be good for business:

1. Billing your clients

If you bill your clients by the hour, time tracking is essential. How else will you know how much to charge your clients?

It's important to actually track your time, instead of guessing. You don't want to underestimate how long it took you to complete a project and accidentally sell yourself short. You also don't want to overcharge your clients, which could damage your relationship.

Depending on the tool you use, tracking time can make invoicing less painful too. Some tools (like Harvest) let you automatically pull your billable time into invoices, taking care of all the math for you.

2. Keeping projects profitable

Even if you don't bill hourly, time tracking is still important. The fact is, if you're a client services business, you're selling blocks of time for a particular price, no matter how you structure your pricing.

Every project is composed of a certain number of hours, and every hour



represents a cost, based on how much you pay the people doing that work. In order for your business to stay afloat, you need to make sure the total price you're charging the client is greater than the cost to your business of completing that project. The only way to figure out your costs is to [figure out how many hours went into the project](#). That's where time tracking comes in.

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Let's say you run a mobile app development agency that sells sprints of work at a fixed price of \$25,000. You obviously don't need to track time in order to bill your client, because you already know how much you're going to charge them. However, you do need to know how much effort your team is putting into these sprints. Let's say you pay your developers \$40 per hour. If it takes them a combined total of 400 hours to finish the sprint, that's great. You made money! But if they hit a snag and it unexpectedly takes them 750 hours, you lost money on this project.

Without time tracking, many businesses don't realize some of their projects are actually unprofitable. With time tracking, you can see if you're on track to come in under budget while the project is still underway. You can also see if you're using up hours more quickly than you anticipated, which gives you the chance to talk to your team and course correct before the project runs off the rails.

3. Improving your pricing

When your business is getting off the ground, chances are there's a lot of guesswork that goes into pricing your projects. You have to walk a tightrope between pricing competitively, so that you actually land clients, and making enough to keep the lights on. It's a balancing act that many businesses never get right.

Unless you're charging by the hour, setting a price requires [estimating how much work you think will go into a project](#). If you don't estimate correctly, your team could get stuck working on something that's a huge time suck with very little profit.

Time tracking helps combat this problem by allowing you to build a library of past projects. You'll know exactly how long every previous project took to complete and

how much it cost your business. You'll also be able to tell if you made or lost money on these projects.

This information is crucial to refining your pricing, because it shows you how much different types of projects generally cost. You'll know how much it costs you to build an app or redesign someone's website. You can then use this data as your base price when you start a similar project.

This isn't a guarantee that you'll make money (you still need to be vigilant about preventing a project from running off the rails), but it allows you to start from a much better place. Plus, the more you track, the more projects you'll have in your project library to reference for more accurate pricing. That's a powerful incentive to keep those timers running.

4. Making more accurate estimates

That same project library comes in handy when you're estimating how long a project will take to complete. No client likes it when you over-promise and miss your deadline. Establishing realistic expectations upfront is crucial for maintaining a good relationship with your clients.

When you know roughly how long a project is going to take, you can also do a better job of planning your team's time and staffing people across different projects. This means you're less likely to overbook someone because a project ran over unexpectedly. And with a more accurate schedule, you can be sure you're only taking on the work that your team can handle.

5. Managing your team better

Time tracking gives you a window into how much your team is working. You can see if individuals, or even entire teams, are regularly going over their capacity. If so, you can take some work off their plate before they burn out.

When your team knows that you're using timesheet data to maintain a healthy work-life balance, they're more likely to see time tracking as something positive and actually do it. Not to mention, you'll enjoy all the other benefits of having a

happy, motivated team.

Time tracking can be useful for this reason, even if you don't work at an agency or other client services business. Sometimes individual departments within a larger company track time so they can push back when too much work comes down the pike, or make the case for a new hire. Having data like this elevates the conversation to a more productive space. With objective timesheet data to back you up, the higher-ups will likely be more receptive to your concerns.

6. Creating a record of your work

In addition to providing useful summary data, time tracking also creates a record of exactly what your team worked on. This really comes in handy in certain situations.

Sometimes clients will ask for a detailed explanation of why something took as long as it did. They want to make sure the time they're paying for is being put to good use. With the right time tracking tool, all you have to do is generate a report and all the details are there. This data makes it easier to have tough discussions with clients, because you can show them exactly how long great work takes. You can also push back against any aggressive or unreasonable expectations.

And when you work in an industry where you could be audited, tracking time creates a vital record of what work you did. If you're a government contractor, for example, an accurate record of what everyone did and how long it took is essential for proving that government money wasn't wasted.

7. Improving how you work

How many hours a day do you really spend in meetings? Are you spending more time wrangling your inbox than tackling your main priorities? Without hard data, it's tough to get a sense of how productive you really are.

People are often surprised by what their timesheets actually tell them about their work habits and those of their team. Unsurprisingly, many teams uncover huge inefficiencies. The upside? Once you have that data, you can start improving how your team works. Are meetings taking up a lot of your team's time? Cut down on

the number of meetings, or the number of people in each one. Are there internal processes that are eating away at billable hours? Work with your team to streamline them.

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Time tracking can also empower individual people to improve how they work. Once people see their time recorded, they often realize they’re switching contexts too frequently and aren’t setting aside enough time for deep work. Or they see how they could do a better job organizing their day. Small improvements to individual workflows can have a big impact on overall efficiency in the long run.

Conclusion

Most businesses aren’t thinking of all these things when they start looking for a time tracking solution. There’s usually one pressing need they’re looking to address, like billing a new hourly client they just landed. What they don’t realize is that they aren’t just solving that individual problem—they’re building a window into their entire business!

Time tracking allows you to make more intelligent decisions about how you price and run projects, how you schedule your team, and even how you spend your day.

The only thing that holds back some businesses is fear their team won’t react well to the idea. It’s perfectly normal for some team members to resist or feel uncomfortable tracking their time. But there are [strategies you can implement](#) to ease those fears and get them on board.

Once your team gets the hang of it, they may find time tracking isn’t that bad, especially if you’re using a tool like [Harvest](#), which is designed to make time tracking as painless as possible. [Try it out yourself](#) free for 30 days.





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