9 Arguments Against Timesheets and for Modern Compensation Models

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I'm no Gary Vee, but a recent LinkedIn post about my aversion to timesheets garnered over half a million impressions and sparked a surprisingly spicy debate about client-agency finances.

I was curious about the volume of pushback from folks defending the hours-based billing systems that I believe may result in the death of our industry.

The moment our business says yes to comparing the value of work based on rates instead of outputs, clients and agencies risk industrywide burnout, talent drainage, poorer relationships and even poorer work product.

So for the sake of our business, let's tackle some of the common arguments around these outdated models and a possible better way forward.

Timesheets are the only way to measure value.

Time and value are not the same.

What if one campaign got cracked quickly because the team had a “lightning bolt” moment? What if another campaign requires double the time because the team is slow to find inspiration? In the end, both clients got great ideas; should one pay less and the other pay more?

This also assumes creativity is a punch-clock scenario. What about time spent thinking on the subway, watching Netflix or having beers with friends?

Value isn’t about time; it’s about great quality in the work relative to overall price. No one walks into a restaurant and asks for the hourly rates of a line cook on a $21 bowl of pasta. They only worry about whether the Bolognese tastes delicious.

How do you manage pricing? Timesheets help us cost things out.

A lot of factors should go into agency pricing, including services, timing and deliverables. Also difficulty. Is this client familiar or new? A simple brief or a complicated one? Streamlined or multistakeholder? Finally, what are your competitors charging? Pricing is as much an art as it is a science.

How do you manage scope creep or change? What about benchmarking?

It’s easier to manage scope change, up or down, on deliverables than hours. You either gave it to a client or didn’t. It’s more quantitative than burn. And in my experience, clients prefer quantitative.

Plus, a good project manager or account manager can tell you quickly if a client is over- or under-indexing (and needs re-costing next time) without checking a single timesheet.

How do you forecast and recognize revenue without measuring effort?

The first step here is a scope broken down by phase or service with further breakdown by deliverables or assets. With this set against a hardcore timeline (yeah, our account crüe is metal like that), you can forecast and recognize as deliverables are completed. And if timing shifts, so does revenue.

Bonus points: Ideally, invoicing also follows scope cadence so that cash flow is *chef's kiss.*

How do you prevent passionate teams from going too 'all out?'

Some proactivity is great. I love giving my fave clients bonus work. But if you're over-delivering on one client, you're likely under-delivering on another.

That ain't right.

For fairness to clients, you need account and ops to stay close to your people and their resourcing. No timesheets are needed, just a conversation.

How do you know if you're going to be profitable?

Staffing, overhead and profit all need to be budgeted against signed and forecasted revenue. But 36 hours for this client or 47 for that client shouldn't matter as much as overall profitability. And if resources are over-extended or profit is low, then figure out the gaps and rebalance: price higher, get average salaries down, better manage scopes or a mix of the above.

But timesheets are a way to stay honest about lift.

Even if we assume time equals value, a timesheet is almost

always an inaccurate quantification of time spent.

Some culprits:

- The dumper: “Throw your hours on the biggest accounts! They can afford it!”
- The book balancer: “Just match the scope! We need to ‘justify’ scope, so just put 50% of your time against it!”
- The fuzzy memory: “Hmm, it was about a month ago … I am sure I put 40 hours against it. I mean, I am kind of sure …”
- The justifier: “There are a lot of cuts in the industry these days. I better put lots of hours on these jobs to ensure I’m ‘safe.’”

In summary, timesheets are not a reliable witness.

How do you show transparency to clients?

You can break out the cost of a job by phase, deliverable and asset to quite a granular level and then show under-delivery, delivery or over-delivery against this breakdown.

And then, again, the value is in the quality of those deliverables. Clients get a pretty rigorous scope with transparency in tracking, over or under.

How can clients compare one agency with another if they don’t have a rate card or breakdown of hours?

If two agencies each quote the same approximate price for the same remit, do rates or FTEs matter?

Scoping based on hours and rate cards guarantees only one thing—that you’ll be working to the lowest possible rate and/or the fewest hours. Which, in turn, means a race to the bottom. More junior talent. Artificially inflating hours to compensate for low rates. More frustrated clients.

It also means having convos about burn rates instead of the work itself. And I don’t know a single client keen on burn rate chats.

The bottom line is agencies and clients all got into this business for the same reason: to make great work that works.

The moment our business equates value with rates and hours vs. value as output, clients and agencies risk a much greater price including industrywide burnout, talent drains and ever-shortening and more tumultuous client-agency relationships.

So let’s focus on what matters: the work on the page. Not the work reduced to a spreadsheet.

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