

BY JACKIE OSTROWICKI



IN-HOUSE ISSUES

TAKING CHARGE

If you're part of an in-house creative team, tracking time and charging for your services can help prove your value. One in-house manager shares her process and suggests 5 ways to implement your own chargeback system.

With the economy searing the feet of many large companies, in-house creative and design departments are often at the mercy of staff reductions as the only way to cut costs. Developing a chargeback system was an effective way to cover my costs and protect my staff.

For the past three years, I've led a 19-person in-house creative department at Nelnet, a publicly traded company with 2,200 associates. Two years ago, we—along with other shared services like legal and

accounting—were tasked with developing a chargeback system for our internal clients. The road wasn't easy, and we faced many pitfalls, but we were able to successfully implement a smoothly running system.

Three years ago, our creative services costs were 100% part of Nelnet's general overhead expenses. During the past two years, we implemented a time-tracking system, planned projects with internal clients and helped those clients understand our services and the

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value we provide. These actions resulted in us covering our costs 80% the first year and 85% the second year. The goal is to cover our costs 90% in year three. Here's how we did it:

1. CAPTURE THAT TIME

Nelnet uses an internally built time-tracking system to account for hours and tally time each month to charge back to clients. Each client receives a report of total hours spent, function spent on and total cost. Plus, we provide a breakdown of specific projects and hours spent on each project.

We aim to bill 75% of employees' time; the other unbillable 25% of time is spent on department maintenance, new business, vacation and sick time, and employee training and education. We track both billable and non-billable hours so we can capture how much of each employee's total time is devoted to non-billable tasks and adjust the workload accordingly.

It's critical for the team to understand how tracking their time translates to dollars earned and, in the end, jobs maintained and department growth. Staffers earn creative freedom and flexible hours as perks for their dedication to keeping accurate track of time so we can bill clients back for hours worked. How do we help the creative team understand the importance of time tracking? At the end of each month, prior to billing the clients, department management shares how many hours each employee has input into the time-tracking system, encouraging them to be 75% billable and to limit non-billable hours.

As a result, the creative team has become very time-conscious. Accurately capturing hours is as big a priority as our weekly food day. In fact, a common joke, particularly with non-billable tasks like department get-togethers, is, "What cost center does this get charged to?"

2. COVER THE COST OF OPERATIONS

Our fiscal goal is to cover the cost of operations for Nelnet's creative services department, including overhead, salaries, benefits and intra-company charges. This puts the responsibility for efficiently using resources such as department education and office supplies back on the department. It also allows

us to grow as our internal clients grow and to use more of our resources.

We determined our internal hourly rate at \$50 an hour, based on a formula that includes expenses paid out-of-pocket (such as BlackBerry smartphones, travel, office supplies, education, salaries and benefits) and expenses paid intra-company (facilities overhead, human resources and technology). Keep in mind that a healthy benchmark is to bill for 75% of available time, which is 1,560 hours out of 2,080 total working hours during the year. \$50 x the number of employees in our department (19) x 1,560 hours covers our total annual budget of about \$1.4 million.

3. SHARE YOUR PLAN WITH CLIENTS

We share our hourly rate with all clients, so there are no surprises. This also means we have to prove our worth so that clients allocate budget dollars for our creative services team instead of using external resources. We try to operate, as strategic partners with our internal clients, helping them determine marketing strategies that match their business needs.

We determine our needed department resources based on budget planning sessions held each year in October with our internal clients. This allows us to ensure that we're appropriately staffed. We work back and forth with each client, maximizing their available budget dollars to cover the number of projects they estimate they'll need each year to run their business.

We also measure the success of marketing programs and help track results. For example, Nelnet held an annual internal engagement survey that had peaked at an 80% participation rate. The HR department asked creative services to assist in creating a marketing campaign that would encourage associates to participate and create personal ownership of the survey by helping people understand the difference they can make. We developed posters, banner ads and an intranet landing page over a three-week period, punctuated with e-mails to all employees. As a result, the 2008 participation rate reached 96.3%—a 16% increase over previous years.

4. GO EXTERNAL

Because we have a fairly large team with a wide variety of skills—print, web, copy, account service and more—we find that in estimating our resources, there's some fractional time left over. Therefore, we've implemented an innovative idea—going out of house to look for small clients to supplement our in-house income. Because we're looking only to cover our costs and not to generate profit, we can provide a blended rate that's extremely low when compared to those of local ad agencies. And our structure gives external clients the same level of service an outside agency would provide.

The types of clients we go after usually are small local clients or slightly larger clients that have small projects we can work on. Fortunately, executive management encourages this and doesn't see this as a conflict of interest. Their only concern is that we do not fall behind on our work for internal clients.

Typically, internal clients are very conservative in their project estimates for us, and the number of projects we end up completing exceed the number we agreed on at the beginning of the year. That leaves very little time and effort to go after external clients, so our efforts are fairly limited in that area.

Some of the challenges of competing with outside agencies include the fact that we're an in-house department; that our portfolio has one overall look in client work since we create marketing for several brands within one company; and that we don't have full-service capabilities (i.e., media buying).

So far, we have taken on one paying client to build our income and two pro-bono clients to build our portfolio. We're hoping this proves to be an effective source of additional revenue that helps us cover operating costs at year's end, thus helping to justify the existence of the department and ensure our survival.

5. JUSTIFY YOUR COSTS

Because of our successful chargeback system, the Nelnet creative services department has earned an unusual level of autonomy. Because the lines of business within the company choose to use and pay for a high-quality in-house resource, we can justify positions and aren't subjected to measures such as staff reductions as the only way to cover costs.

Using a chargeback system has required us to put more definitive data in place, such as creating milestone timelines and measuring deadlines and client satisfaction. This has led to greater trust, deeper partnership and more creative freedom with our clients and projects.

Before we implemented the chargeback system, the creative team was required to do any sort of work that came our way, regardless of how menial it was. Now that the lines of business are actually paying for the tasks, we find ourselves working on much more strategic and complex work than PowerPoint or Word templates, simply because clients don't want to have to pay us for menial tasks.

Has implementing a chargeback system been easy? By no means. Is the journey over? Not yet. But, has it been worth it? Absolutely.

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