

Calculating Opportunity Lost



Step One: Start with 1,920 (40 hrs/week for 48 weeks allowing for holidays and vacations)



Step Two: Multiply 1920 X the # of FTEs in your agency
EX: I have 10 FT employees, so my number is 19,200 hours available in a year



Step Three: Multiply your total hours available by your billable rate.

EX: $19,200 \times \$175 = \$3,360,000$

\$3,360,000 represents the AGI my agency could earn if all of my employees spent 100% of their time on billable tasks and we were able to bill all of that time. (I know...impossible but stay with me)

NOTE: The ideal target is that 75% of your agency's total available hours are spent on billable tasks and that you can actually bill 60% of your agency's total available hours. (in the video I said 70-75 but let's calculate it at 75%)

Step Four: Multiply your total number of available hours by .75 and .60 to get your agency's targets.

75% of 19,200 = 14,400 (should be spent on billable tasks)

60% of 19,200 = 11,520 (should be billed to a client)

OR

Step Five: Multiply your target total number of available hours your agency's billable rate.

75% of 19,200 (14,400) = \$2,166,000 in AGI at \$175/hour

60% of 19,200 (11,520) = \$1,728,000 in AGI at \$175/hour

Step Six: Now look at what your YE last year's AGI or YTD annualize AGI is. How are you doing compared to the numbers you just crunched?

NOTE: Before starting to track these numbers, most agencies are billing about 40% of their total available hours.

40% of 19,200 = 1,152,000 in AGI at \$175/hour

In this example – if the agency was only billing clients for 40% (versus the targeted 60%) of their available hours, the agency is leaving about \$668,500 on the table every year.