

Title:

Benchmarking and Best Practice - Utilization Rates

Word Count:

343

Summary:

Benchmarking and best practice is a standard method for comparing aspects of one's business against those of other successful businesses. The utilization rate in the computer consulting industry is a particularly useful comparison for benchmarking and best practice.

Keywords:

Benchmarking, Best-Practice, Best Practice

Article Body:

Benchmarking and best practice is a way for you to measure your success against others who have made the leap into computer consulting before you. By measuring your own performance against industry benchmarks you get an idea of what you need to work on to be successful.

A key element in your benchmarking and best practice is to look at utilization rates. Your utilization rate is the ratio of how many hours you bill clients compared to how many hours you work in a given period.

Utilization Rate = Hours Billed / Hours Worked

The typical benchmarking and best practice comparison is based on a 40 hour work week. If you work 40 hours in a week but only work with clients for 10 billable hours, your utilization rate is 25%.

Utilization Rate Benchmarks

Benchmarking and best practice in the computer consulting industry suggests using a utilization rate of 50% as a minimum tolerance level. This may not be realistic for the first few months of start-up though. What you want to monitor is whether your utilization rate is showing an upward trend toward the benchmarking and best practice standard.

A 50% utilization rate is a good place to be within six to nine months of launching your business. By the time your business matures, a utilization rate

of 75% (30 billable hours per week) is a benchmarking and best practice ideal. Once you get higher than that your quality of life begins to suffer. The huge invoice payments coming in are great but the resulting burnout and stress are not worth it.

The Bottom Line on Benchmarking and Best Practice Utilization Rates

It is important to measure your performance against others in the industry. A benchmarking and best practice comparison, particularly with utilization rates, is a great place to start. Your ideal rate will vary depending on the phase your business is in, but remaining within the benchmarking and best practices range is a good indicator of sustainable business operations.

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