opsczar

Service Business Metrics

Ranges from agencies and consultancies. Yours will differ.

opsczar.com

Capacity and Hours

DO YOU EVEN HAVE TIME

Available hours

TARGET

Paid hours - Time off



Capacity

RULE

Sum of available hours across the team, for the period

RECALCULATE MONTHLY, NOT ONCE IN JANUARY.

Utilization and Billability

ARE PEOPLE WORKING, AND DOES IT COUNT

Utilization

TARGET

Hours worked on client projects
Available hours, everyone



Billability

CORE METRIC

TARGET

Billable hours
Available hours, billers only



Billable target

RULE

Available hours × Target billability

SET PER ROLE. ROUGHLY 80–85% FOR JUNIOR AND MID-LEVEL DELIVERY, 65–75% FOR SENIORS, 30–50% FOR MANAGERS AND SELLERS, NEAR ZERO FOR THE OWNER PAST ABOUT 15 PEOPLE.

Project management load

TARGET

Project management hours
Total project hours



How to read the meters

TARGET — stay in the middle

CEILING — stay under the line

RULE — no benchmark, know yours

Cost, Rates, and Realization

WHAT YOU CHARGE VS. WHAT YOU GET

Overhead rate

CEILING

Overhead cost
Direct labor cost



Cost rate and standard rate

TARGET

Cost rate: **Labor cost ÷ Available hours**
Standard rate: **Cost rate × Target multiplier**



Blended rate

RULE

Total project revenue
Total project hours

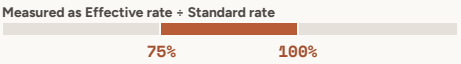
NEVER QUOTE A BLEND WITHOUT KNOWING THE MIX BEHIND IT.

Effective rate

CORE METRIC

TARGET

Revenue
Total hours worked



Realization

TARGET

Revenue actually invoiced
(Billable hours × Standard rate)



Capped retainer

RULE

Time-and-materials work with a monthly not-to-exceed ceiling

EVERY CAPPED RETAINER NEEDS A WRITTEN ANSWER TO "WHAT HAPPENS WHEN THE CAP IS HIT IN WEEK TWO."

Givebacks

CEILING

Hours given back
Billable hours



Margin and Profit

WHERE THE MONEY ACTUALLY GOES

Pass-through revenue

RULE

Pass-through billed at or near cost

STRIP IT OUT BEFORE YOU CALCULATE ANYTHING PER PERSON OR PER HOUR.

Margin at estimate

TARGET

(Estimated fee - Estimated cost)
Estimated fee



Project margin

CORE METRIC

TARGET

(Project revenue - Direct project cost)
Project revenue



opsczar

Service Business Metrics

Ranges from agencies and consultancies. Yours will differ.

opsczar.com

Margin and Profit (continued) WHERE THE MONEY ACTUALLY GOES

Gross margin — TARGET

(Revenue − Delivery cost) / Revenue

50% DELIVERY PROBLEM · 60% HEALTHY · STRONG

Net margin — TARGET

CORE METRIC

(Revenue − All costs) / Revenue

10% YOU BOUGHT A JOB · 20% HEALTHY · EXCELLENT

EBITDA — TARGET

Net income + Interest + Taxes + Depreciation + Amortization

Measured as a share of revenue

10% LOW, OR LUMPY BILLING · 20% HEALTHY · EXCELLENT

Revenue per person — TARGET

Revenue less pass-through / FTE headcount

$150k UNDERPRICED · $250k HEALTHY · SENIOR-HEAVY

How to read the meters

- TARGET — stay in the middle
- CEILING — stay under the line
- RULE — no benchmark, know yours

Cash and Billing GETTING PAID IS ALSO A SKILL

Billing cadence — RULE

Milestone, monthly, or level invoicing

LEVEL MONTHLY ON ANYTHING OVER THREE MONTHS. MILESTONE BILLING ONLY WHEN THE CLIENT INSISTS, AND THEN WITH A DEPOSIT THAT COVERS THE GAP.

Work in progress — CEILING

Unbilled work value

Measured in billing cycles

1 NORMAL · 2 FIND OUT WHY · SITTING ON IT

Days to get paid — CEILING

CORE METRIC

(Accounts receivable ÷ Revenue) × Days in the period

Measured in days

45 HEALTHY · 90 FINANCING THEM · YOU ARE A BANK

Deposit coverage — TARGET

Deposit received / First-phase estimated cost

25% FRONTING IT · 50% HEALTHY · PREPAID

Forecast variance — TARGET

(Actual revenue − Forecast revenue) / Forecast revenue

Measured per project, monthly and year to date

−10% BEHIND · +10% ON TRACK · AHEAD, SUSPICIOUSLY

Pipeline and Retention THE NEXT SIX MONTHS

Pipeline coverage — TARGET

CORE METRIC

Weighted pipeline / Period revenue target

2× A HOLE · 3× HEALTHY · WEIGHTED BY HEART

Backlog — TARGET

Backlog: Undelivered contracted revenue
Backlog in months: Backlog ÷ Average monthly revenue

Measured in months of delivery

2 THIN · 4 COMFORTABLE · HIRE OR REPRICE

Win rate — TARGET

Proposals won / Proposals submitted

Calculate it by count and by value

25% WHO ARE YOU PITCHING · 50% HEALTHY · RAISE RATES

Recurring revenue mix — TARGET

Retainer and support revenue / Total revenue

30% PROJECT SHOP · 50% HEALTHY · MANAGED SERVICES

Revenue retention — TARGET

Revenue from retained clients / Prior-year revenue from those clients

90% TREADMILL · 110% HEALTHY · GROWING BOOK

Client concentration — CEILING

CORE METRIC

Largest-client revenue / Total revenue

25% FINE · 35% WATCH IT · YOU HAVE A BOSS

Scorecard THE WEEKLY LOOK IN THE MIRROR

Scorecard measurables — RULE

5–15 weekly measures: owner, goal, actual

FIVE TO FIFTEEN MEASURES. SAME FORMULA EVERY WEEK. LABEL GOAL AND ACTUAL.

Seven core metrics to start with

Same seven numbers, same way, every Monday.

- Pipeline coverage
- Project margin
- Effective rate
- Client concentration
- Billability
- Days to get paid
- Net margin