The State of Agency
Operations

Insights and advice to transform
how you run your agency

2023

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Introduction
Solving agency operational challenges

Agencies operate unlike any other type of business, which means you need all the pieces moving together to keep your business profitable, teams efficient, clients happy and coming back for more. The landscape in 2023 is bumpy with restricted client budgets, a potential recession, ongoing inflation, increased competition for clients and talent, and rapid technological change.

So, what's the secret sauce for smooth operations?

In the first installment of our annual agency operations study, we hope to answer that question so agencies have what they need to simplify and improve their operations. We plan to grow a year-over-year database that tracks agency operations as they evolve, giving agencies like yours a crucial resource to assess your operational performance, identify areas for improvement, and compare and contrast the latest trends from your peers.

All about the research:

- Conducted in 2023
- 512 Agency leaders
- Founders, owners, C-suite, directors, and other management roles
- Many types of agencies (creative, web development, PR, etc.)
- Agencies with fewer than 10 to over 3,000 employees
- Margin of error of +/- 4.9 percentage points at a 95% confidence level
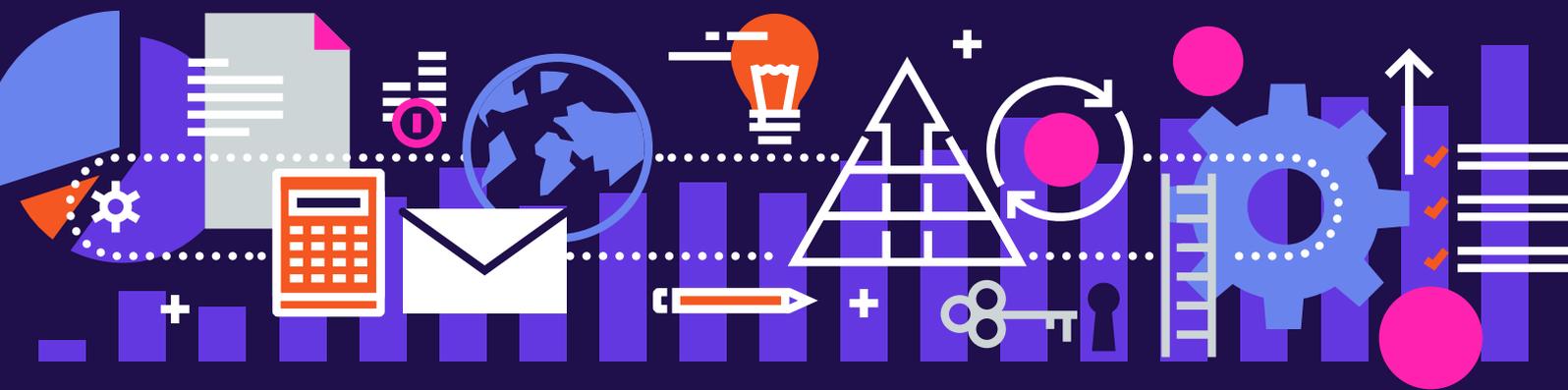
As you read through what we found,
take stock of your agency's operations:

WHAT'S WORKING?
WHAT'S NOT?
WHERE DO YOU WANT TO BE IN THE NEXT YEAR?

Keep reading to find out how your agency compares to others operationally regarding time-tracking, utilization rate benchmarks, billable vs. non-billable hours ratios, resourcing, overservicing, pricing models, and more.
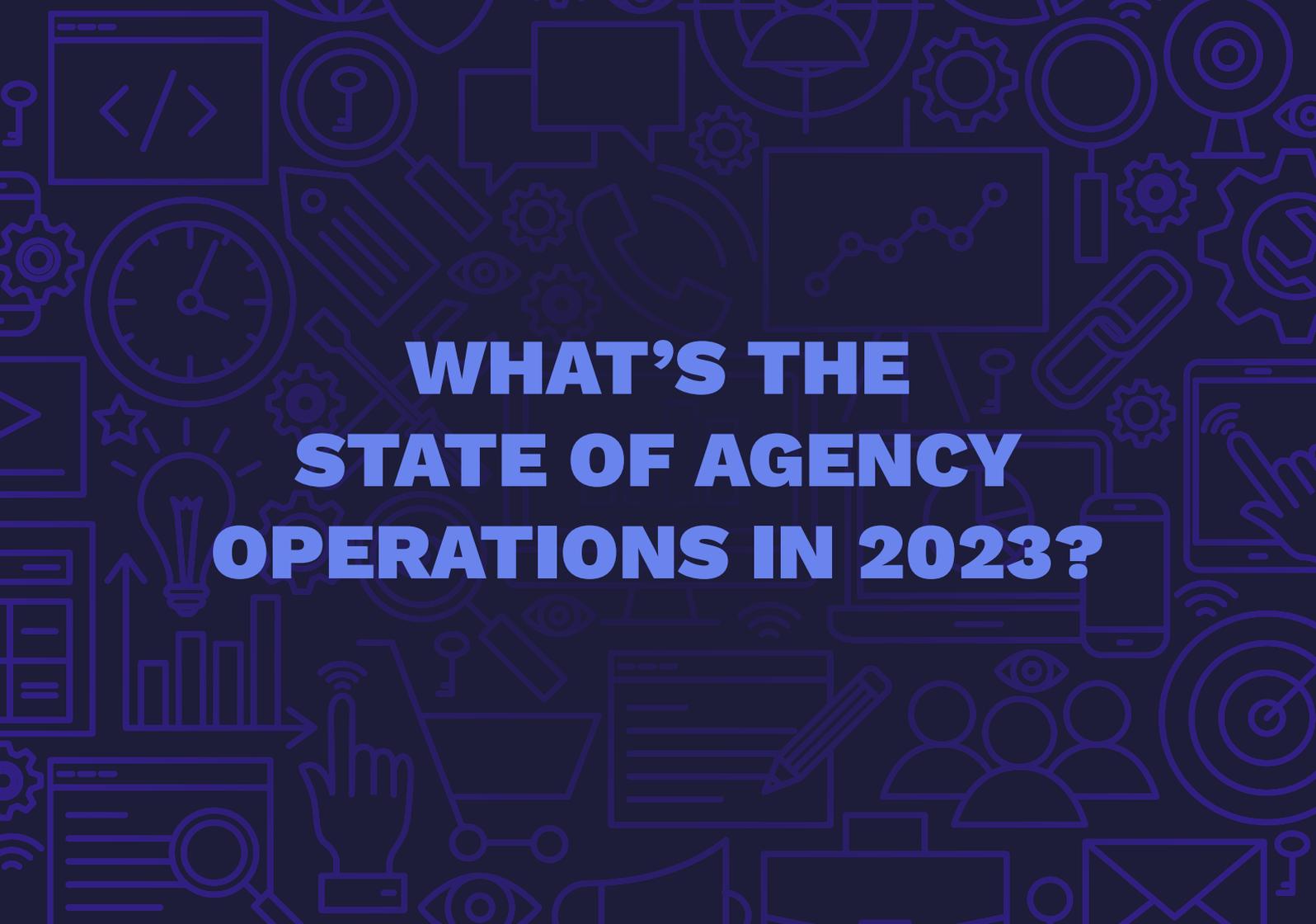
WHAT'S THE STATE OF AGENCY OPERATIONS IN 2023?

Operational challenges are significant and widespread across agencies of all sizes and types

- **Client losses** are the norm, not the exception.

- Agencies feel the pressure from **ever-expanding client expectations**.

- To keep clients happy, many agencies **overserve and go over budget**, leaving them underpaid for their work.

- Most agencies' **operations need some work**, if not an overhaul.

- But most agencies have **technology vendors** that fail to understand their unique needs.

- Many agency leaders say they **lack the decision making power** to make much-needed changes.

Industry-wide challenges

36% **strongly agree** that their agency runs like a well-oiled machine, leaving two in three agencies with operations that need a tune-up.

44% say client expectations have become more challenging.

75% of agencies lost clients from January-June 2023.

26% of agencies lost more than 10% of their staff from January-June 2023.

54% of agency leaders are working more than 40 hours per week.

28% **strongly agree** they feel burned out.

Time and resource management

33% of agencies struggle to keep projects on time and budget.

33% of agency leaders say their agency's employees submit time-tracking data on time 90-100% of the time.

52% of agencies are struggling to hit billable utilization rate benchmarks over 50%.

18% of agencies always reach billable vs. non-billable time targets.

Budgeting and profitability

38% of agencies overservice clients.

43% of agencies have a billable rate of $100-$199 per hour.

92% of agency leaders are at least somewhat confident their agency will be more profitable in 2024.

Technology and innovation

40% **strongly agree** that their technology vendors truly understand their needs as an agency.

50% of agency leaders believe their agencies are 100% onboard with AI.

To summarize our findings, it's clear that the agency business has never been easy, and agencies of all size and types are struggling operationally. Thriving in a fast-paced industry requires operating better to attract new clients and keep existing ones happy. But most agencies are overwhelmed, stuck, and struggling.

WHAT OPERATIONAL CHALLENGES DO AGENCIES FACE IN 2023?

Top operational challenges

Agencies manage many moving pieces during project life cycles: client delays, changes to scope, and too many cooks in the kitchen syndrome. It's no surprise that keeping projects on budget (33%) and on schedule (29%) is challenging for many agencies. Projecting team member utilization for projects (28%) is also near the top.

Top operational challenges

Challenge	%
Difficulty keeping projects within budget	33%
Difficulty keeping projects on schedule	29%
Difficulty projecting team member utilization for projects	28%
Difficulty getting team members to consistently complete timesheets	28%
Difficulty developing consistent processes for projects	27%
Difficulty using time-tracking data to improve team member utilization	26%
Difficulty getting project tasks completed on time	24%
Difficulty analyzing and reporting up-to-date time-tracking data	24%
Difficulty providing clients with projected project schedules in advance	21%
Difficulty sharing up-to-date project statuses with clients	20%
Difficulty keeping team members aware of deadlines for task completion	19%
Difficulty sharing up-to-date project statuses with agency leadership	17%
Difficulty sharing up-to-date project statuses with team members	17%
My agency doesn't experience any of these issues	19%

Agencies with 50 employees or fewer appear to have more challenges than larger agencies.

50 employees or fewer   **More than 50**

Challenge	50 employees or fewer	More than 50
Difficulty keeping projects within budget	41%	27%
Difficulty keeping projects on schedule	39%	21%
Difficulty projecting team member utilization for projects	35%	23%
Difficulty getting team members to consistently complete timesheets	33%	23%
Difficulty developing consistent processes for projects	35%	21%
Difficulty using time-tracking data to improve team member utilization	32%	22%
Difficulty getting project tasks completed on time	31%	20%

Smaller agencies can struggle more with challenges for many reasons. Many owners are what **Agency Management Institute (AMI) leader Drew McLellan** calls "accidental agency owners" — professionals who ended up building an agency from a solo consultancy or who left another agency. Many lack the experience and skills essential to run an agency. They may wear too many hats and are missing experienced operational team members.

Agency Life
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Hear more words of wisdom from Drew McLellan in our underline webinar, **"Growing Your Agency Too Fast or Not Fast Enough"**
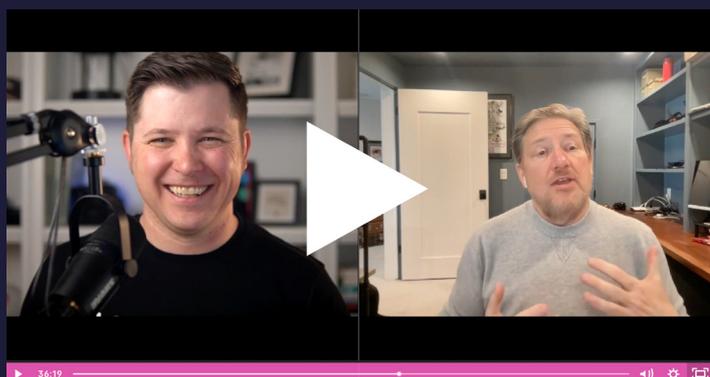
To COO or not to COO

Do agencies need an in-house COO to be successful? Not necessarily, but you need somebody leading these initiatives with the skills and expertise. Only one in two agencies have an in-house COO/operations lead to champion operational efficiency. For some agencies, these responsibilities land on the shoulders of other team members (14%) or an outsourced COO (9%).

We currently have an in-house COO/operations lead	**51%**
We delegate these responsibilities to other team members	**14%**
We do not have a COO/operations lead but plan to hire one soon	**10%**
We do not have a plan to hire a COO/operations lead	**11%**
We outsource our COO/operations lead role	**9%**
I'm not sure	**6%**

For any agency, having a dedicated operational "go-to" role can make a world of difference in ensuring time-tracking, resource forecasting, and project planning go off without a hitch or become a nightmare for agency teams and their clients.

> "
> Our early struggles in project management came from not having a dedicated PM with the skills to actually manage projects effectively. Additionally, it took us a few tries to find software that allowed us to embed our systems in it. Our agency is highly systems-and-process-based, so that was critical.
>
> **- Chris Manley, CEO of Engenius**
> "

The client exodus

It's been a turbulent year for many agencies. Clients sign on for work, then delay kickoff, reduce budgets significantly, or end projects abruptly part of the way through. Only one in four agencies avoided client losses in the first two quarters of 2023. For the rest, client attrition was a pressing issue.

No client losses	24%
About 10% or less	37%
About 20%	11%
About 30% or more	21%
I'm not sure	7%
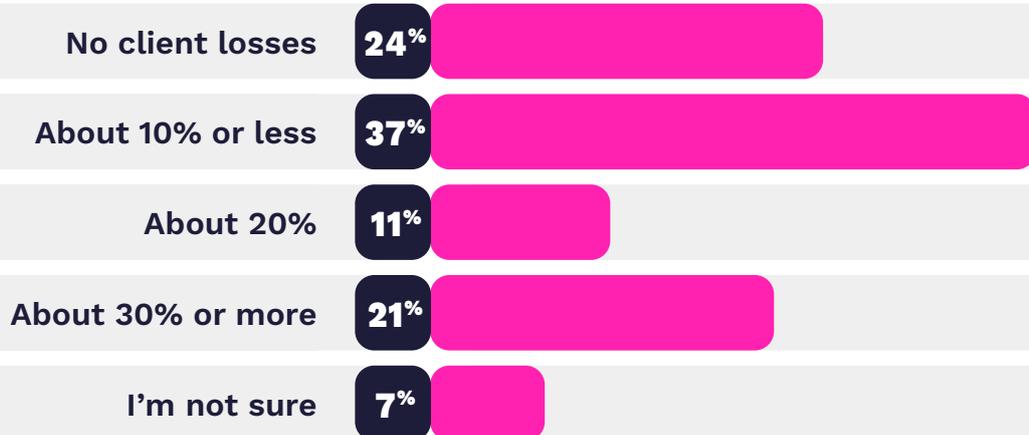
Want to learn more about how to combat client churn? Check out our podcast with **Jonathan Ewing, Director of APCO Worldwide**

Staff losses remain high

The employment fluctuations of the last few years have hit agencies hard. Many agencies express concerns about employees jumping ship for other opportunities, trouble meeting employee salary expectations, or struggling to attract the right talent for their client base.

In the first six months of 2023, about a quarter of agencies lost more than 10% of their staff. Only 19% of agencies had a 100% staff retention rate.

|	
No staff losses	19%
10% loss or less	47%
11-25% loss	17%
26-50% loss	5%
Higher than 50% loss	4%
I'm not sure	8%
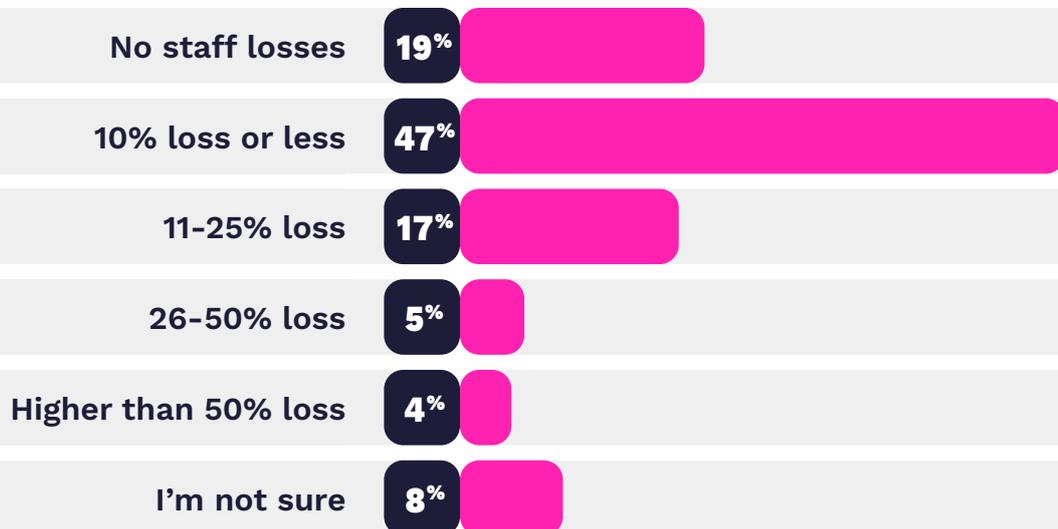
The agency work week

Nearly half (46%) of agency leaders work more than 40 hours per week, and these long hours continue to put them at risk for burnout.

Agency leaders who work 40 hours or less

46% **54%**

Agency leaders who work more than 40 hours
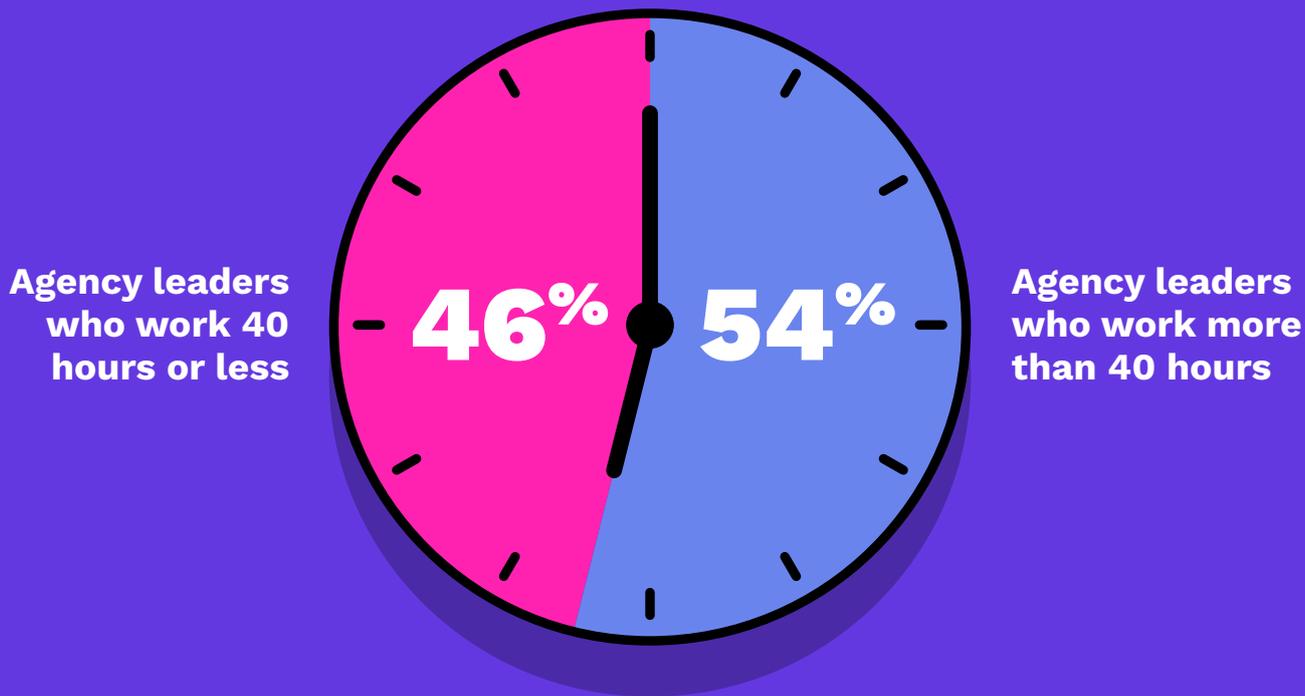
> " Due to the lack of skilled staff available at present we are currently working way longer hours than we should. While not at the burnout stage, we often feel exhausted but the priority is to ensure our customers' needs are met.
>
> **- John Bond, Visual Marketing Australia** "

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Put the brakes on burnout

- Take the time to know each employee and what they care about, and make sure they have the space to **develop their own career interests** alongside the needs of the agency.

- **Offer services** that people can speak to outside of your HR department, such as coaching and counseling.

- Keep a keen eye on **team capacity** to make sure no one is being over or underutilized.

- **Automate admin tasks** to take the pressure off employees and give them more space to work on projects they love.

- Provide employees with **100% clarity** at every opportunity and job level — be it their job duties, performance, daily tasks, or the week's priorities. Confusion always leads to stress.

Read our expert roundup

to demystify agency burnout and learn how other agency leaders have overcome this common challenge.

AGENCY BURNOUT:
Insights from 40 Agency Owners

DOWN TO THE MINUTE:
How agencies spend, track, and manage time

How leaders spend their work hours

Agency owners often voice frustration about how hard it is to carve out time for business development and strategy. Our research shows what's taking up some of that time. Meetings (69%) and team management (67%) dominate most agency leaders' work hours.

Meetings	**69%**
Team management	**67%**
Strategy	**54%**
Business administration	**46%**
Learning and development	**41%**
Billable client work	**38%**
New business	**35%**
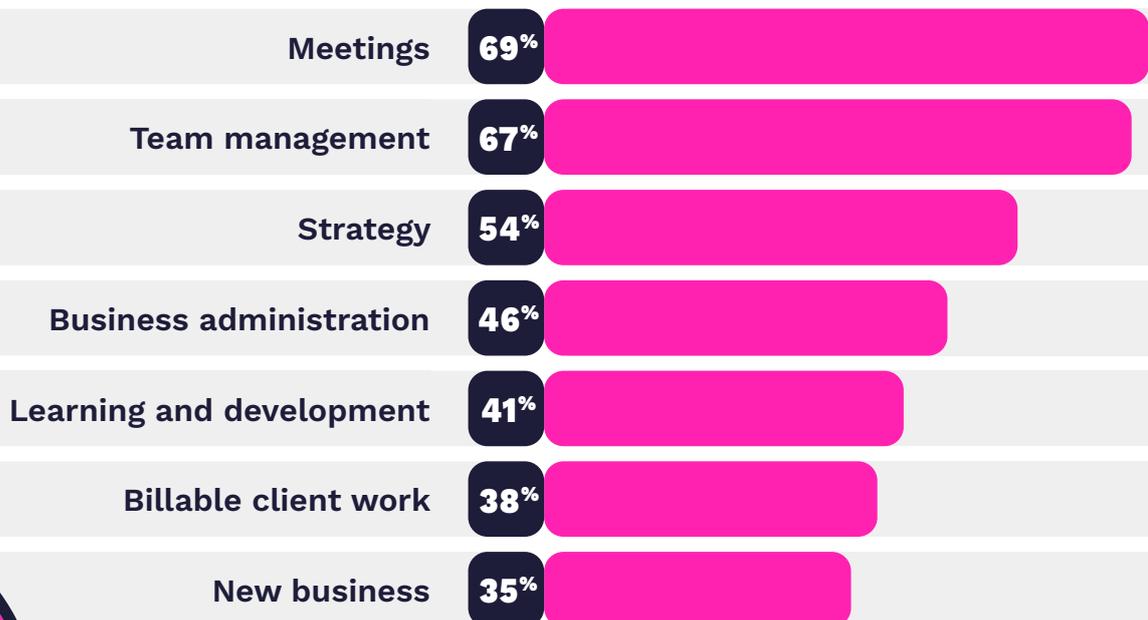
Resourcing meetings

Reviewing resourcing is important to align the team on current and upcoming client projects. Resourcing meetings occupy a weekly slot for many agencies (43%) and are typically 30-60 minutes long for most agencies (56%).

Let's put this into perspective.

Just under half of agencies charge clients a billable rate between $100-$199 per hour. Let's split the difference and say you're an agency that charges $150 per hour. If you have 50 employees in a resourcing meeting every week for 60 minutes, you're spending $7,500 per week worth of billable client hours. That adds up to around $390,000 per year. Would your agency like to reduce that cost?

Time-tracking practices, uses, and data gaps

Even though it can take some time (no pun intended) to establish your time-tracking processes and some reminders to get everybody on board, agencies that don't track employee time are in the minority (23%). However, given the critical nature of accurate insights based on time worked, it is nevertheless concerning that nearly one in four agencies aren't tracking this simple but critical metric.

Do not track employee time

23%

77%

Agencies that track employee time with time sheets or other methods
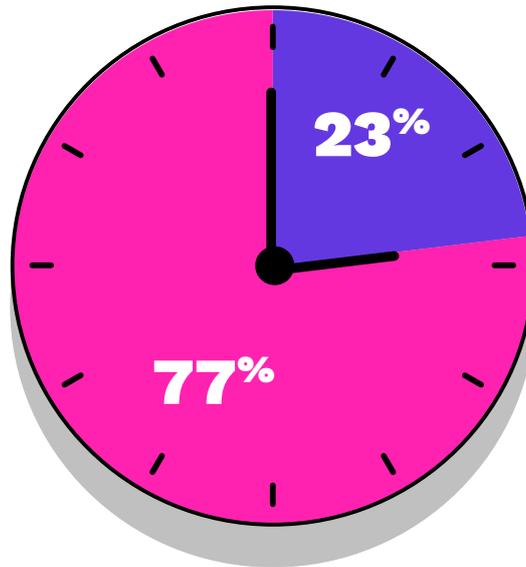
Download our **Agency Time Management Report** for a deeper dive into how agencies manage time-tracking.

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AGENCY TIME MANAGEMENT

HOW TO MAKE EVERY BILLABLE MINUTE COUNT
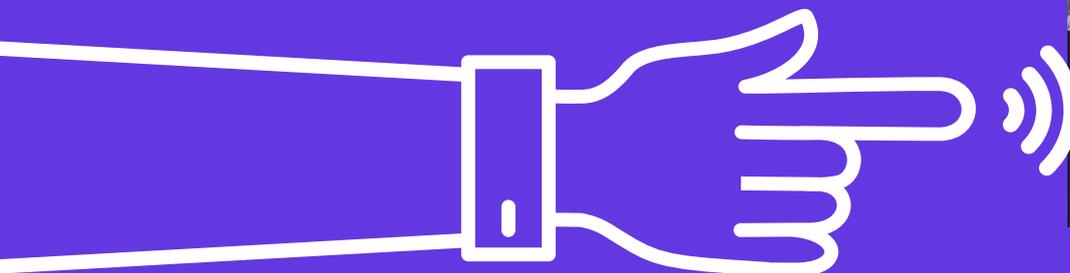
Why are agencies tracking time?

Of course time-tracking has many benefits beyond payroll, and agencies are embracing a range of uses for this data. One in two agencies commonly use time-tracking for client billing, (53%) or tracking profitability (52%).

Category	%
Client billing	53%
Tracking profitability	51%
Future capacity planning	46%
Keeping track of billable/ non-billable time ratio	45%
Visibility/transparency regarding what the team is working on	43%
Seeing project progress in real-time	40%
Improving scoping accuracy	40%
Improve payroll accuracy	33%
Identifying scope creep	32%
Preparing data for employee reviews	27%
Preparing data for an employee's promotion	22%
Preparing data for incentives or bonus programs	20%

Choose your time-tracking adventure

Time-tracking comes in many shapes and sizes. Some organizations like to log time down to the minute, while others log in five or 15-minute increments. Some only focus on logging billable hours, while others take account of both billable and non-billables.

Regardless of which flavor of time-tracking ice cream you have in your cone, everyone needs to be aware of and follow the same policy. This should include things like:

- **How often time should be logged?** (hourly, daily, or weekly)

- **What level of detail is required?** (task-level or project-level)

- **What metadata needs to be captured?** (tags, description, etc.)

If everyone tracks their time in the correct manner, it will save your business a ton of hassle, lower the blood pressure of your project managers, and ensure you are consistent in your billing and collecting of revenue.

## How can you implement time-tracking your team won't hate?

Get Insights from **Robin O'Sullivan,** Group Product Manager at Teamwork.com.
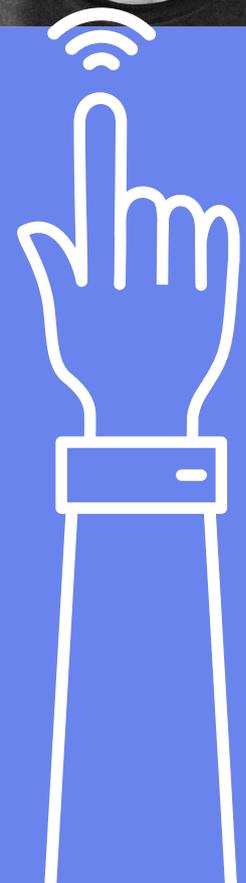
Despite the widespread adoption of time-tracking processes, agencies struggle to have the data they need at their fingertips. **Only one in three agency leaders say employees complete their time-tracking/submit timesheets on time 90-100% of the time.**

About 100% of the time	10%
About 90% of the time	22%
About 80% of the time	14%
About 70% of the time	13%
About 60% of the time	8%
About 50% of the time	7%
About 40% of the time	7%
About 30% of the time	6%
About 20% of the time	6%
About 10% of the time	3%
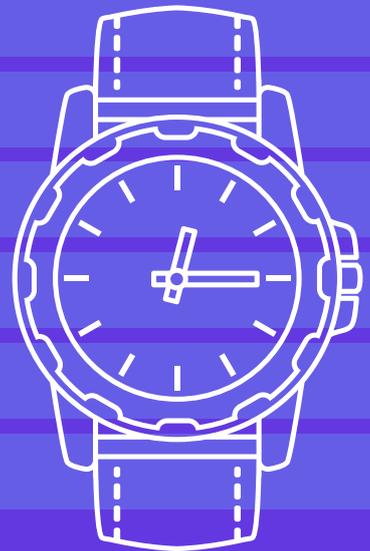
Key takeaway:
Use data to your advantage

Bad data can be worse than no data at all. Inaccurate time-tracking data can lead to underpriced proposals, unattainable project timelines, and wildly overestimated profitability.

"

Gathering complete and accurate time-tracking data is ALWAYS a challenge. However, reiterating the importance of accuracy helps the agency forecast accurately. It is the project manager and leadership team's responsibility to ensure the team doesn't see time-tracking as a threat or punishment but rather as a tool to help balance workloads, staffing needs, etc.

- Ali Lego, COO of COHN marketing

"

"

The most powerful way to address a lack of team compliance with time-tracking is to expose them to the reports that are being generated and engage them in the conversations that happen around it. Sit down with your team on a regular basis and start celebrating projects that went really well, and being curious about ones that didn't go well. Immediately you're going to start seeing your team engage in that conversation and connect the dots.

**- Marcel Petitpas, Co-Founder and CEO of Parakeeto**

"

Agency Life
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Time-tracking on your mind? Watch our webinar with **Marcel Petitpas** for a walk-through of his time-tracking framework, a sure-fire way to boost team efficiency.
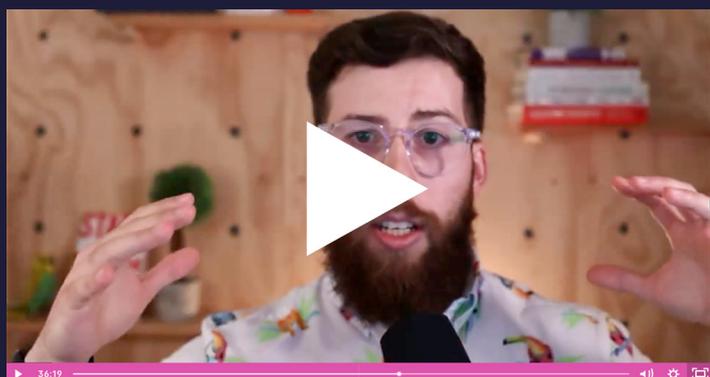
OPTIMIZING CLIENT WORK:
Billable vs. non-billable utilization

Tracking billable vs. non-billable time

While not all agencies bill hourly, tracking billable vs. non-billable time is critical, even for agencies that price their services based on value rather than time. It ensures that agencies pay and assess team members accurately and appropriately based on billing expectations for their positions. Without this critical metric, it's difficult for agency leaders to quantify if an employee is earning their keep and to ensure the agency is meeting its profitability targets for the agency.

Category	Percentage
Always or almost always track billable/non-billable ratio	32%
Usually	32%
Sometimes	21%
Rarely	5%
Never or almost never	5%
I'm not sure	5%

Setting billable utilization rate benchmarks

Over half of agencies always or usually set billable utilization rate benchmarks for roles on projects. Billable utilization is the percentage of an employee's total working hours spent on billable work, and is a key metric for agency leaders in determining if their staff costs are generating a return on investment and the reliability of their resourcing projections.

Always or almost always set billable utilization rate	27%
Usually	30%
Sometimes	22%
Rarely	7%
Never or almost never	10%
I'm not sure	4%
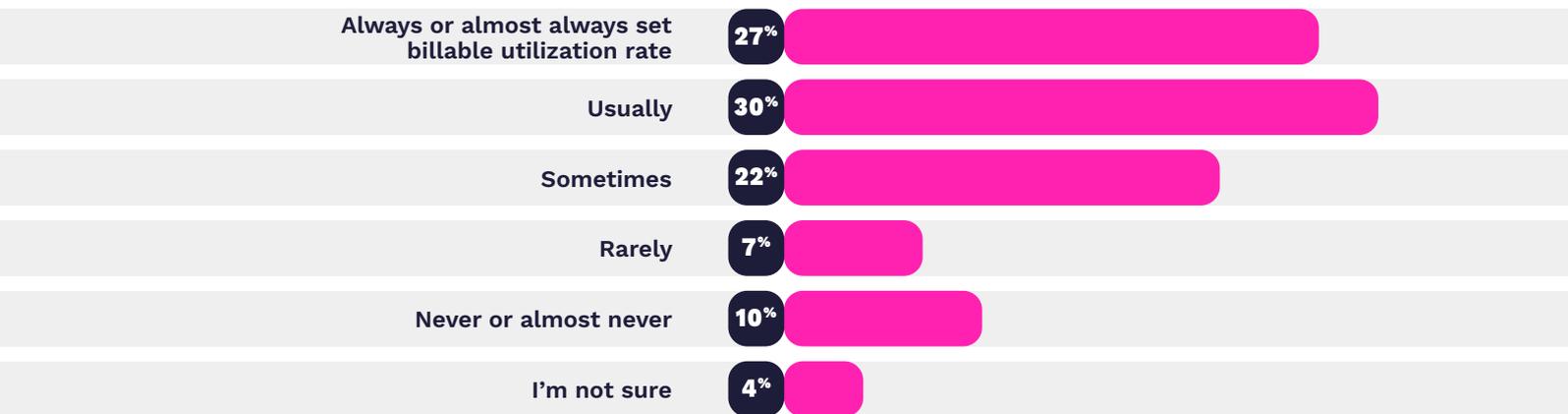
> "Most agencies don't calculate these vital metrics correctly. Take the number of employees you have (whether they're in a billable role or not) and multiply that by 1920 (48 weeks of 40 hours per week). That's your total available hours. Your goal for billability (hours spent on billable tasks) is 75% of the total hours. Your goal for utilization is 60% of the total hours.
>
> Why those numbers? First, the billable people have to cover the costs of the non-billable team members. This is why you can only afford one non-billable person (someone who bills less than 50% of their time) for every five employees. Second – you shoot for 75% billable/60% utilized because not every billable hour is going to get charged to a client. There are several reasons for that but it most likely comes down to overservicing clients, inaccurate estimates, or inefficient work time."
>
> **– Drew McLellan, agency owner and CEO of Agency Management Institute**

Reaching billable utilization rate benchmarks

In the last six months, only one in four agencies reached the gold standard of 60% or higher average overall billable utilization rate. Billable utilization rate benchmarks allow appropriate utilization evaluation by function and give team members clear expectations for their billable time.

0% average overall billable utilization rate in the last 6 months	1%
5%	2%
10%	4%
15%	7%
20%	5%
25%	9%
26–50%	24%
51–75%	18%
76–100%	9%
I'm not sure	14%
We don't track our average billable utilization rate	7%

Average billable utilization rate by size

Fewer than 10 employees	46%
11–50	47%
51–100	43%
101–250	34%
251–500	35%
501–1000	47%
1001–3000	35%
More than 3000	48%

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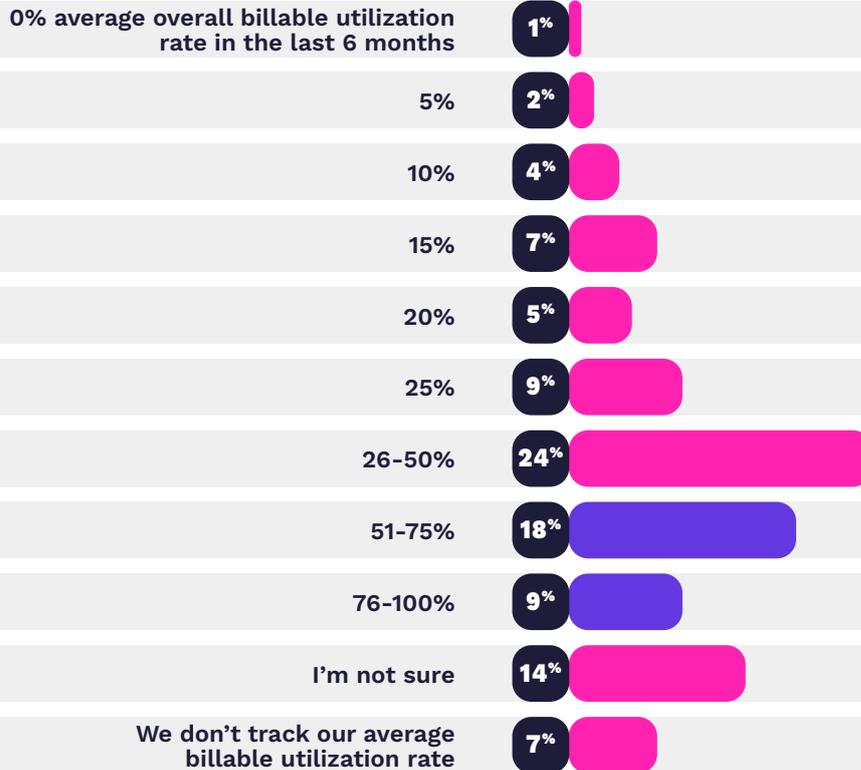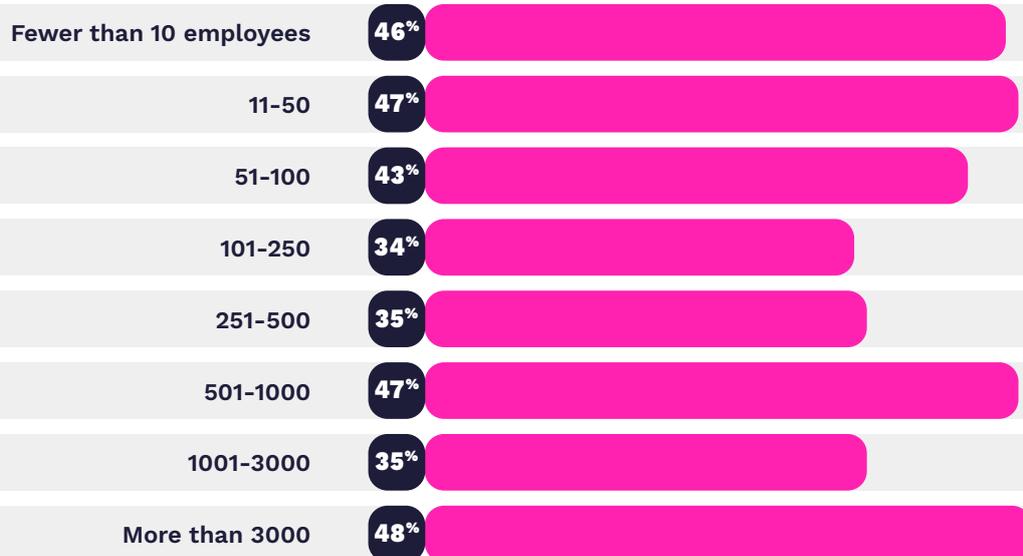
Reaching billable vs. non-billable targets

Only 18% of agencies always reach the billable vs. non-billable targets they set internally — meaning agency leaders aren't monitoring performance against them, or they're not addressing the issue with managers and team members.

15%	16%	36%	17%	10%
Always or almost always	Most of the time	Some of the time	Rarely	Never or almost never
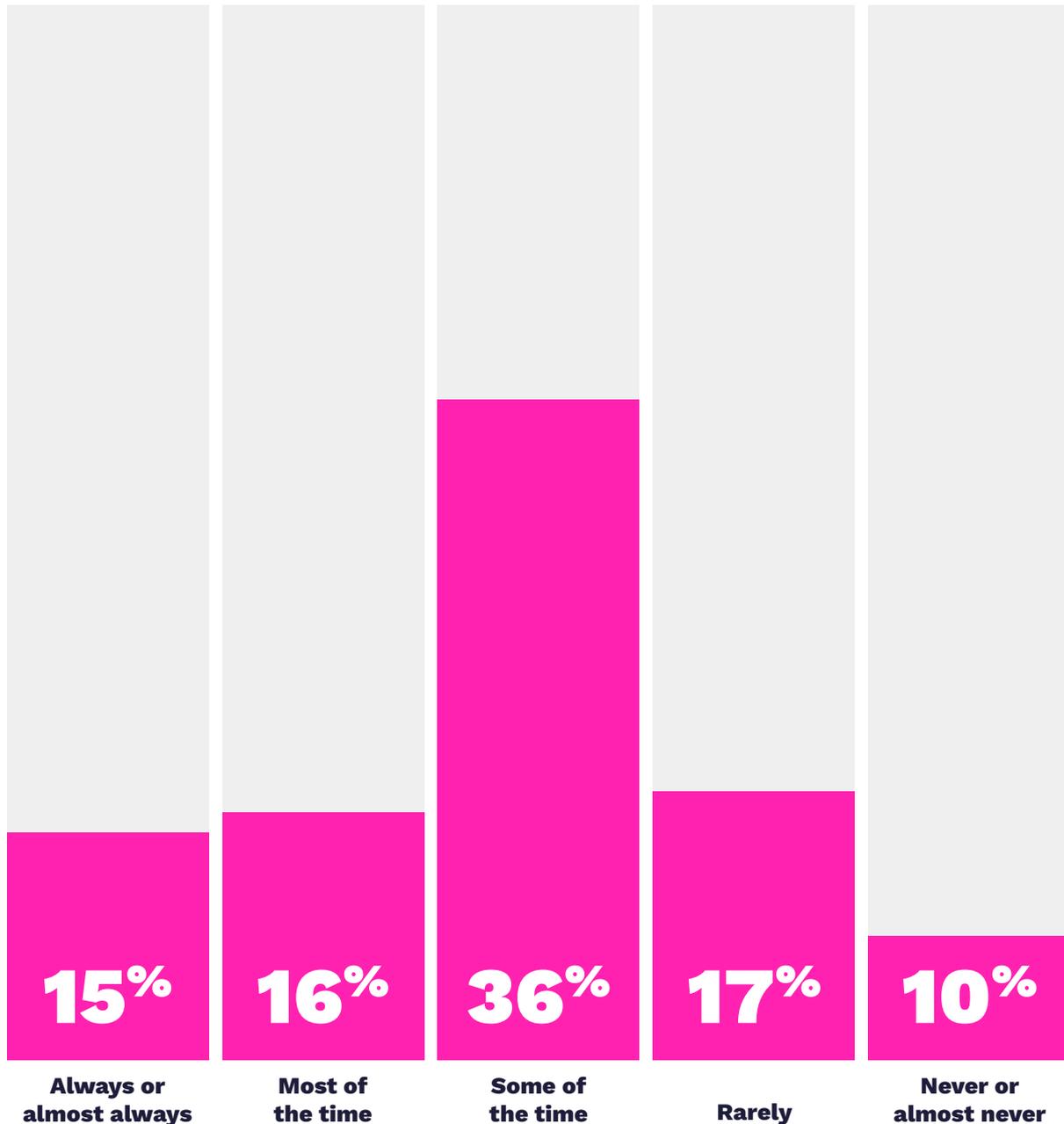
A roadmap for achieving ideal billable vs. non-billable ratios

What agency leaders who participated in our research shared with us.

"We achieve a high ratio of billable vs. non-billable time by **recording and managing capacity and utilization clearly and frequently**."

"Consistently achieving a high percentage of billable vs. non-billable time requires **streamlining processes**, prioritizing client work, delegating non-billable tasks, **leveraging technology**, and fostering a **billable-focused culture** within the agency."

"**Super lean team**. Non-billable work usually shifts to just a few members of the team so the majority of our **FTEs are working through billable client work** as their number one priority."

"We have 100% on timesheet completion by 10 a.m. the next business day. This allows for **accurate data input**. The team is also trained to **track their time on any project conversations as billable to that project**."

"Make sure projects are **scoped accurately and generously**. Push back on clients when they say prices are too high. Have clever and empathetic ops people."

"Check how long tasks take and where we can be more efficient, either by using **automations** or **optimizing the process. Expectancy and mindset training**; Susan, you have 10 hours to work on an article, no need to spend 15 to make it perfect."

"We classify **all client-based work as billable**, regardless of whether or not we invoice it. Any other time (internal, PTO, etc.) is classified as non-billable."

COMMON BUDGET OBSTACLES, CHOSEN PRICING MODELS, AND AGENCY PROFITABILITY

Budgets exceeded

Most agency leaders (67%) say their projects at least sometimes come in over budget. There's a lot of room for improvement in keeping projects within budget.

Projects always or almost always come in overbudget	15%
Most of the time	16%
Some of the time	36%
Rarely	17%
Never or almost never	10%
I'm not sure	6%
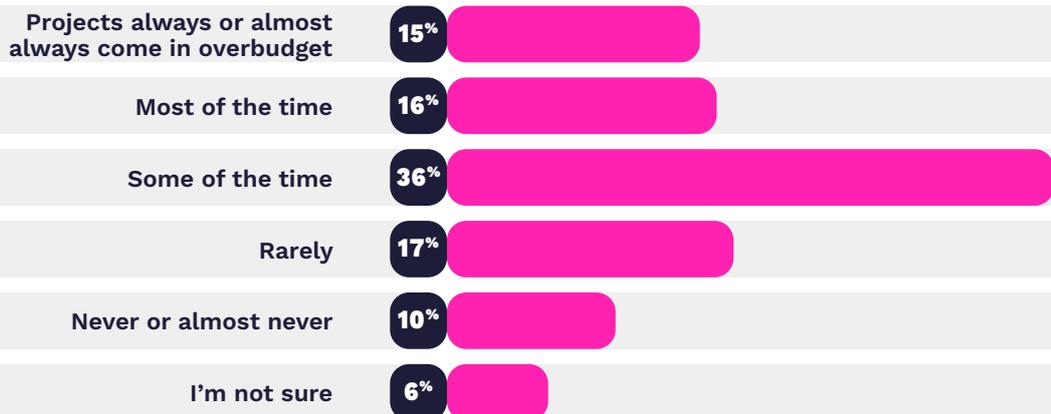
Many forces can bring the budget into focus after a project kicks off. Scope may change. Clients may enter a merger or acquisition. An economic crisis may lead clients to abruptly cut their marketing budget. Leadership can change their business strategy. **Over two in three agencies say they adjust established budgets during the lifecycle of a project at least sometimes.**

Overservicing clients

Many agencies (38%) struggle with frequently overservicing clients, which agencies can solve through accurate and smart use of tech stack data and more efficient operations.

Agencies of 50 or fewer employees are significantly more likely than agencies of 1,000 or more to overservice clients to keep them happy. Losing a client can make or break a small agency — but growth is challenging when clients don't pay you for your work.

Always or almost always overservice clients	18%
Most of the time	20%
Some of the time	37%
Rarely	16%
Never or almost never	6%
I'm not sure	4%

Agencies walk a tightrope to manage clients effectively. While client satisfaction can make or break their businesses, so can a lack of boundaries and chronic overservicing. The risk agencies run in trying too hard to please clients is to incur financial losses for giving more than clients pay them. Most agencies overservice clients because they want them to be happy, to prevent those losses we discussed earlier in this section.

In addition, a lack of visibility into time-tracking data can prevent team members from identifying overservicing early enough to address it with the team and the client on time. Inaccurate time entries can provide a falsely rosy picture of project profitability, which, if left unchecked, can leave agencies with little leverage to recoup costs once they complete a project.

> "
> There are two underrated best practices to battle misaligned client expectations. Firstly, avoiding miscommunication or a lack of consistent communication (especially at key milestones like onboarding, strategic planning, campaigns ending, etc.). Secondly, establishing more clarity in the sales and onboarding process to ensure clients that aren't a good fit are eliminated by your sales team during the qualifying process.
>
> **- Shauna Nuckles, Founder, Advocation**
> "

Why do agencies overservice clients?

To keep clients happy	**56%**
Failing to address scope creep with the client	**37%**
It's hard to say no to clients	**33%**
Poorly defined scopes of work	**27%**
Inaccurate scopes of work	**26%**
Miscommunication between our team and the client	**24%**
To keep clients from firing us	**21%**
Miscommunication between our team members	**20%**
Inaccurate time-tracking	**19%**
Poor-quality work or mistakes	**16%**
We don't know we're overservicing in a timely manner	**16%**
Poor resourcing (assigning the wrong team member(s) to the project)	**14%**
Another reason	**5%**
I'm not sure	**2%**

Stopping scope creep in its tracks

So, what can agencies do to mitigate against the unknown quantities that lead to scope creep and an increase in non-billable time? There are a ton of ways you can approach it, but here's what we'd recommend:

1 Always set a clear brief from the beginning, and make sure your deliverables (including rounds of feedback and amends) are chiseled into stone and signed off by the client before work starts.

2 Consider allocating 10-20% of non-billable time in your budget to account for inevitable scope creep or a change in direction.

3 Constantly review your billable and non-billable time across tasks, projects, and clients to establish benchmarks and stay on target.

4 Review estimated vs. actual times, so you can make refinements based on real data. If you can commit to the process, you'll quickly see your estimates become more accurate. This will put you in the driving seat to improve your project and capacity planning and generate more revenue.

Agency pricing models and rates

Picking a pricing model is an important decision, but which one is best depends on who you ask. Many agencies use a combination of models based on the type of project. The most popular pricing model across agencies is project-based (67%).

|	
Project-based	**67%**
Hourly	**49%**
Retainer	**33%**
Value-based	**27%**
Performance-based	**20%**
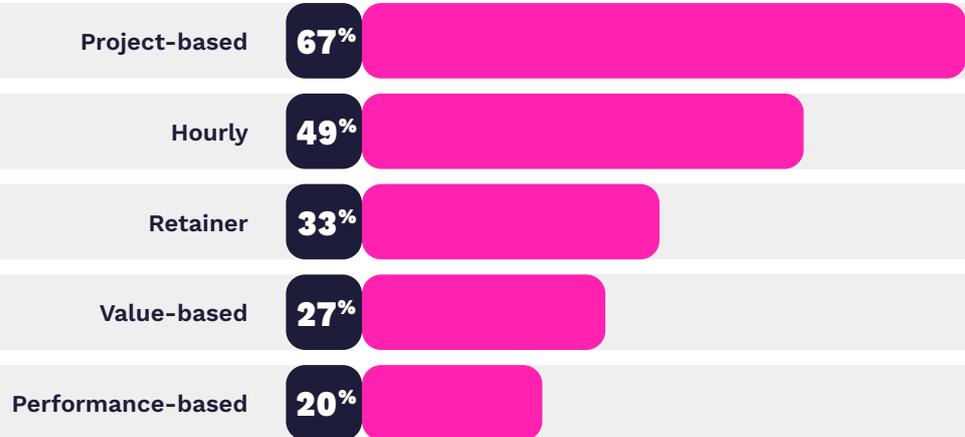
> " We use both project-based and retainer models, and it depends on the work. Both can be profitable if managed properly.
>
> **- Nicole Mahoney, CEO of Break the Ice Media** "

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Among the agencies using different pricing models, 31% of those using project-based pricing consider it their most profitable approach.

Project-based	**31%**	
Hourly	**21%**	
I'm not sure	**20%**	
Retainer	**13%**	
Value-based	**8%**	
Performance-based	**6%**	
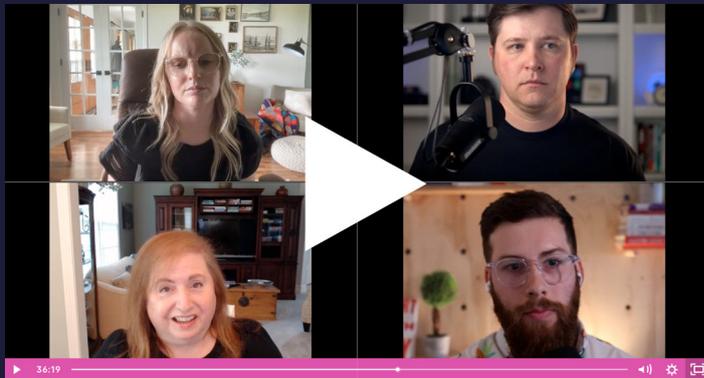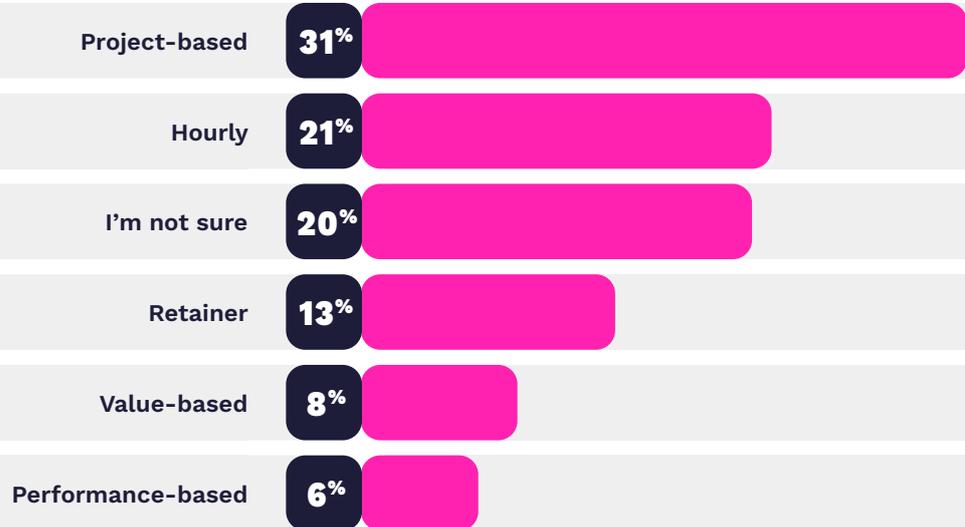
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Curious about **value-based pricing?** We break down the pros and cons in our in our webinar.

Key takeaway:
Monitor time-tracking data

Whichever pricing model you choose to adopt, you need to be **tracking and evaluating time data** regularly to see how your team is performing, and flag client work that is consistently going over budget. Only when armed with these insights can you have meaningful conversations with clients about flexing their agreements.

Average hourly billable rate

Just under half of agencies charge between $100-$199 USD per hour for their average hourly billable rate. Many experienced agencies are now setting their benchmark blended billable rate at $175 USD per hour, a relatively recent increase due to the salary demands resulting from the post-pandemic return to work. The blended rate will, of course, depend on the experience, specialization, geography, and work that the agency does.

Up to $50 USD per hour	5%
$50-$99 USD per hour	15%
$100-$149 USD per hour	23%
$150-$199 USD per hour	20%
$200-$249 USD per hour	9%
$250 USD per hour or more	8%
We haven't established an average hourly billable rate	10%
I'm not sure	10%
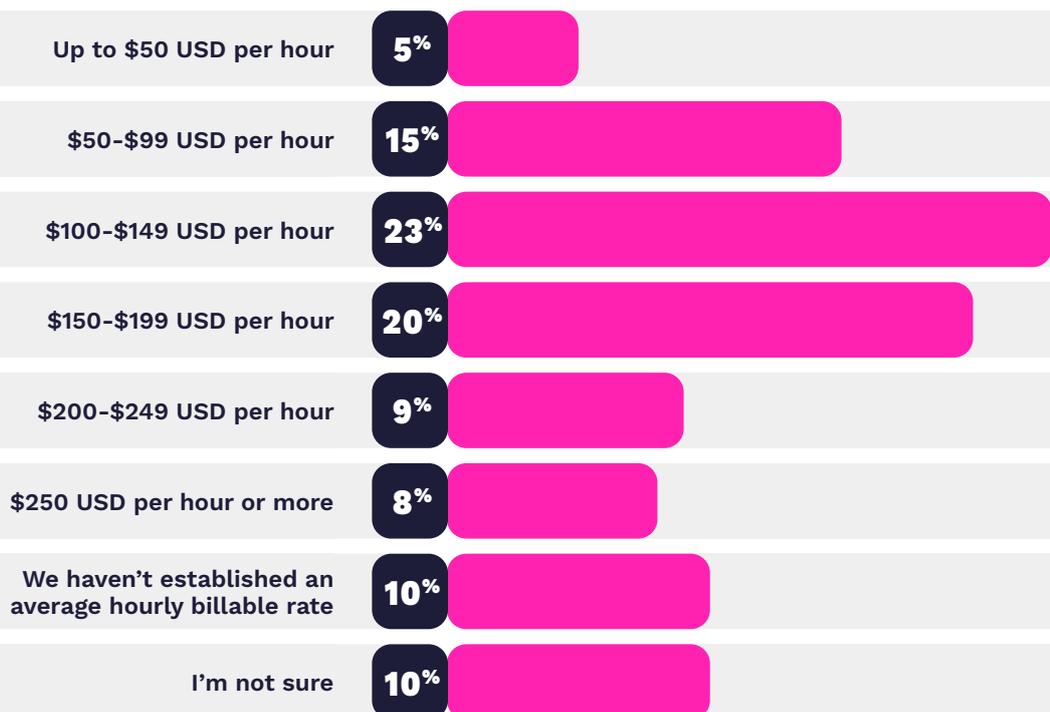
Advice from a CEO who understands agency ownership

Most agency owners can remember a time when they were working day and night and had plenty of customers and employees, yet money was slipping through the cracks, and it seemed impossible to break even.

Teamwork.com CEO **Peter Coppinger** describes this moment in his previous life as an agency owner: **"Despite being busier than ever, having more clients and staff than ever, we just weren't getting ahead so at the end of the year, the profits just weren't there."** This cycle can be difficult to break and is more common than you'd think in the early days.

Peter's advice for any agencies struggling to stay afloat: Evaluate your pricing and consider making some changes.

"We looked at the data to see what type of work is the most profitable. For us when we looked at the big picture, we realized that we had more work than we could handle. We were just being too cheap, we were always offering extras for free, we were way too nice, and we never said no." Although these are all characteristics that helped the agency get started in the early days, they had begun to stunt its growth.

Key takeaway:
Revisit your pricing strategy

Look at your pricing strategy regularly and don't be afraid to make some bold moves. For example, a decision Peter made was to double the cost of the work they enjoyed doing the most and triple the cost of everything else. **"This was the key decision that helped us, resulting in 30% less work coming in but 100% more profit — doing more of the work we enjoyed the most."**

Read our blog for more tips on how to scale your agency

Confidence in increased profitability

Tough year aside, many agencies are looking to 2024 to be brighter (and more profitable). Nearly two in three agency leaders are extremely or very confident their agency will increase its profitability in the next year.

21%	38%	33%	8%	1%
Extremely confident	Very confident	Somewhat confident	Not very confident	Not at all confident
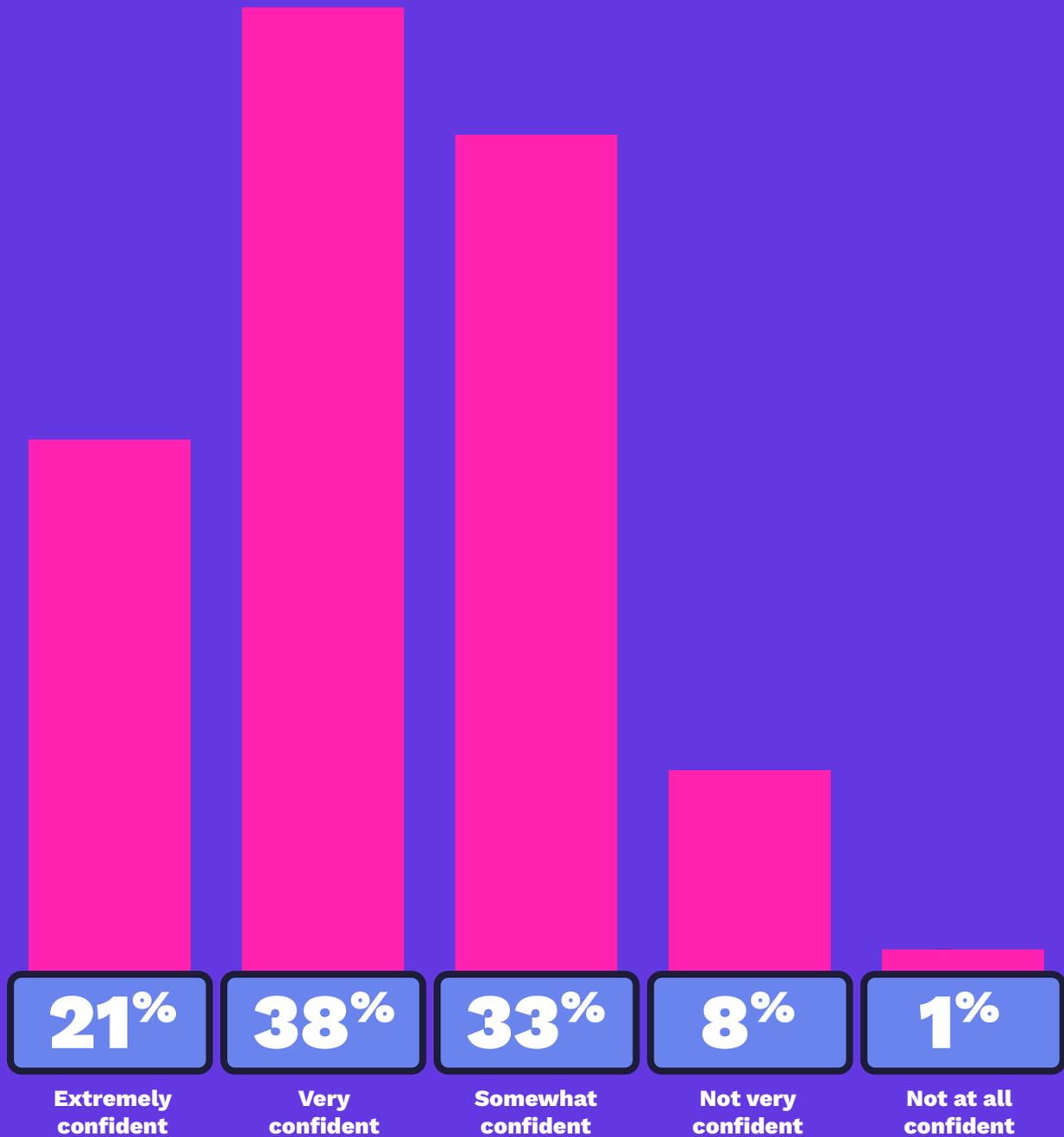
THE FUTURE IS TECHNOLOGY-FORWARD:
Opting for an integrated, innovative tech stack

Openness to artificial intelligence

Since ChatGPT became publicly accessible, agencies have been at the forefront of adopting this technology. It's changed how website developers, copywriters, strategists, and other agency employees work. Clients are asking questions, wondering how agencies use AI and what it can do for them.

Most agencies are either all in on AI (50%) or think it's worth adopting on a case-by-case basis (31%). Most agencies strive to learn what they can incorporate into their workflow so they're ahead of the game as the technology evolves. Those who do not embrace AI may quickly fall behind their peers.

Category	Percentage
AI is the future and a great way to innovate and streamline our work	50%
AI is a mixed bag. We're adopting AI with a proven track record only	31%
AI is a passing trend. We do not see AI sticking around in any significant capacity	8%
AI is a threat. We have serious concerns about its impact	7%
I'm not sure	1%
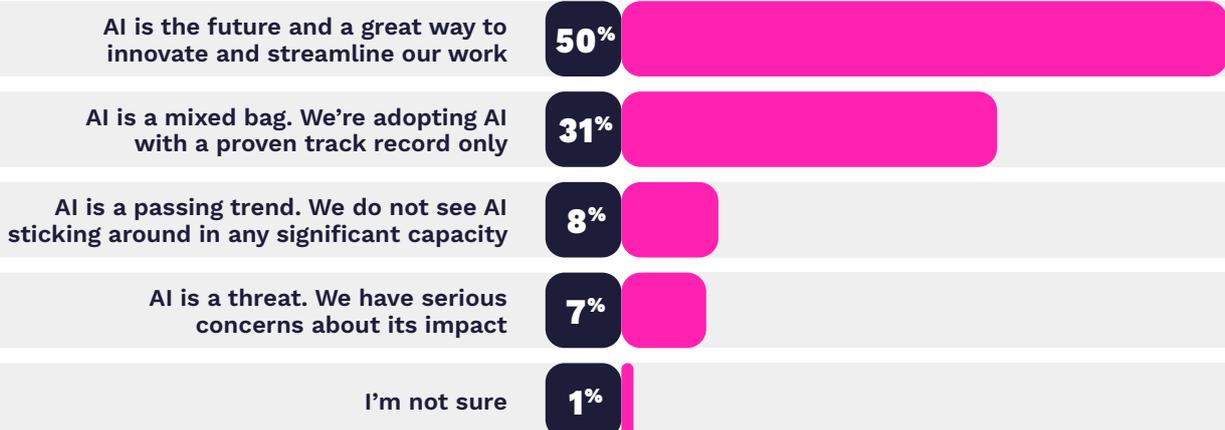
> " AI is here to stay. If you are not embracing it, you're going to fall behind. It doesn't mean you need to use it in every aspect of your agency, and it certainly doesn't mean you should dehumanize your business. But it should be used to improve productivity, speed things up, make repetitive tasks simpler, and make data-driven work more manageable.
>
> **- Susan Fennema, CEO, Beyond the Chaos** "

Agency tech stack

Most agencies use communication tools (70%) and project management software (67%) as the pillars of their agency tech stack. And even though most are using PM software, they use other methods for managing projects as well."

How does your agency manage projects?

Email, Slack, or other communication tools	70%
Project management software	67%
Face-to-face virtual meetings	65%
In-person meetings	54%
Spreadsheets or other tools not specifically dedicated to project management	53%
To-do lists	30%
We don't have a system for managing projects	0%
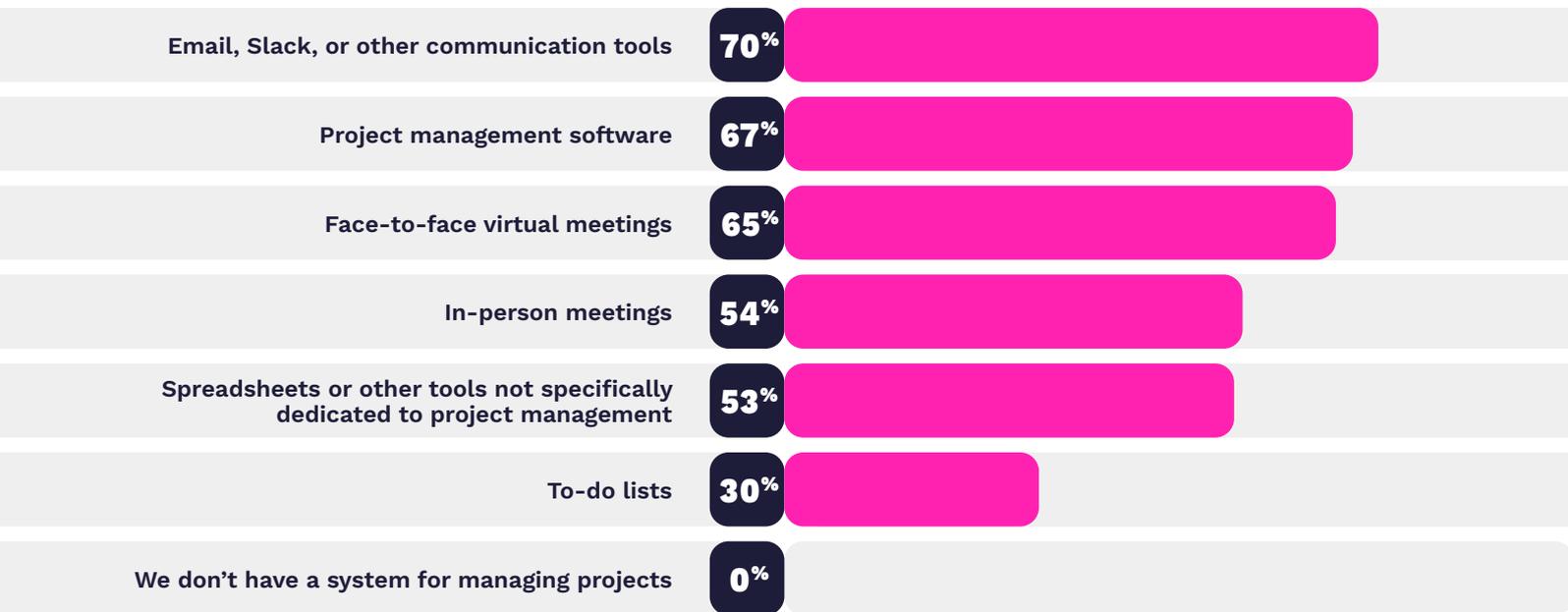
For agencies that do use project management software, 45% also use it for resource management. Otherwise, agencies use an integrated software tool, a distant second at 27%, for resource management.

How does your agency manage resources?

Our project management software	45%
A separate software tool that integrates with our project management software	27%
A separate software tool that doesn't integrate with our project management software	22%
We don't conduct resource management	16%
I'm not sure	8%

"
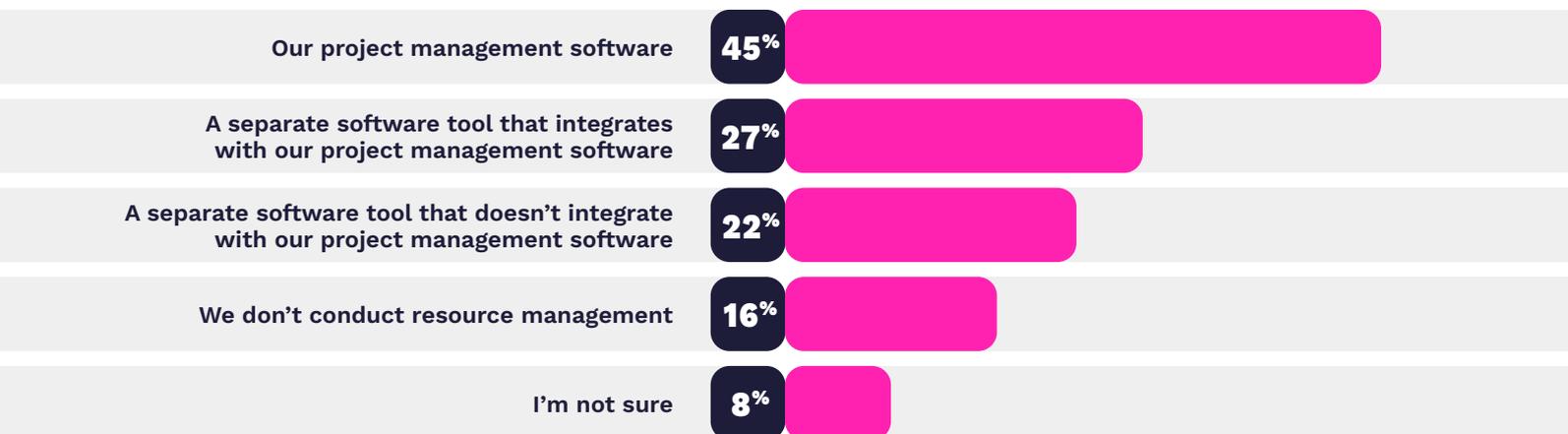
The must-have features of an effective project management system for agencies? Time logging. Billable vs. non-billable hours. Templates. Resource and capacity management. Reporting.

**- Lori Highby, CEO of Keystone Click**

"

Agency Life podcast

Presented by teamwork.

Listen to our podcast with **Amber Kemmis**, **COO of Instrumental Group**, to learn the three key components of capacity management.
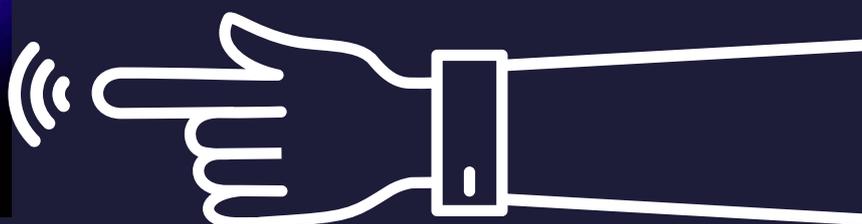
# Using project management software for time-tracking

Even though many standalone time-tracking software options are available, agencies want all-in-one tools. Of agencies that use project management software, 82% use its time-tracking capabilities.

Does your agency use your project management software's built-in time-tracking functionality?

18%
No

82%
Yes
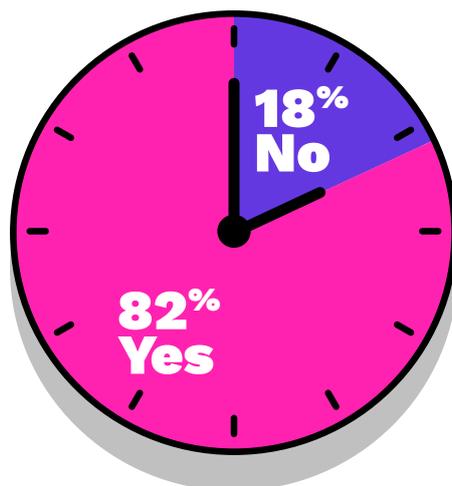
Tech stack size

There's no one-size-fits-all for the number of tools agencies have in their tech stacks. But 59% of agencies have 4-15 tools overall, which is substantial. We're not surprised over one in three agency leaders has a strong pull to reduce their tech stack. If you're interested in reducing your tech stack too, consider a more consolidated project management solution with integrated resource management modules, time-tracking, and more so all your needs are met in one platform.

Category	Percentage
1-3	16%
4-6	24%
7-10	23%
11-15	12%
16-20	5%
More than 20	9%
I'm not sure	10%
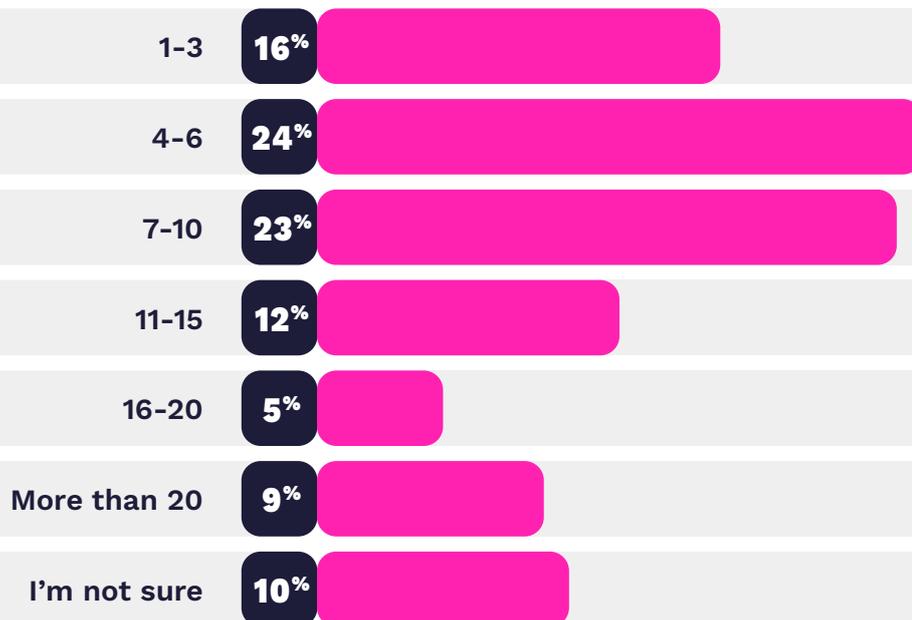
THREE AGENCY LEADER SEGMENTS

How does your mindset impact operational efficiency?

Attitudinal segmentation (our research methodology) organically generates segments connected by a series of attitudes giving us a unique understanding of what separates successful agencies from struggling ones.

In short, there's a clearer path forward to operational efficiency through using this model. As you read through each description on the following page, think about which one sounds most like you and your agency.

These are the three segments of agency leaders revealed by our research. Which one sounds the most like you?

39%

OVERWHELMED
AGENCY LEADERS

- Are burned out
- View challenges as out of their control
- Struggle with a complicated tech stack
- Work for agencies with siloed departments
- Are reluctant to show clients inside the mess
- Don't have the authority to make necessary changes

TLDR

OVERWHELMED LEADERS are stuck. Their tools are not made for agencies, and they struggle to keep up with projects, technology updates, client expectations, and staffing needs.

32%

ASPIRING
AGENCY LEADERS

- Have ideas to improve their agency's project management processes
- Believe collaboration between employees and clients leads to better outcomes
- Believe operational efficiency is one of the best ways to prevent burnout
- Wish clients understood the breadth and depth of their work
- Encounter significant challenges

TLDR

ASPIRING LEADERS are standing on point A, see point B, and just need to plan their steps forward.

29%

CONFIDENT
AGENCY LEADERS

- Have access to an agency-friendly tech stack
- Enjoy a culture that embraces technology, including AI
- Strive to give clients transparency into their operations
- Use employee and client feedback to drive operational efficiency
- Work for agencies where employees are autonomous and set up for success

TLDR

CONFIDENT LEADERS work for agencies that have mastered operations. Their tech works for them, not vice versa, and they're positive about their agency's future.

OVERWHELMED
and in need of better systems

If you're overwhelmed by your agency's operations, you're certainly not alone. Many (nearly 40%) of agency leaders who participated in our research fall into this segment. Though Aspiring leaders also report burnout, **Overwhelmed leaders are defined by it.**

Overwhelmed agency leaders are significantly less likely to have operational decision-making responsibilities. Their team struggles to keep their tech stack updated and accurate, and misalignment is common throughout project life cycles.

It's an uphill trek for Overwhelmed agency leaders, especially since many of them feel helpless in the face of internal and external challenges, and lack the decision-making capacity to change their circumstances.

Overwhelmed by staff losses

Over one in two Overwhelmed agency leaders say their staff turnover rate in the first six months of 2023 was over 6% (and up to 50% or more). It is vital agencies have operational tools that are easy to use and train on to support their operations. That way, if staff leave, the agency can continue operating smoothly, onboarding new talent quickly into a system accessible to everybody.

Nobody is steering the ship

Overwhelmed agency leaders work for agencies significantly less likely to have an in-house COO/operations lead. Many agency leaders struggle to button up their operations without an expert on staff.

Overwhelmed
Aspiring
Confident

We currently have an in-house COO/operations lead

33%

61%

63%
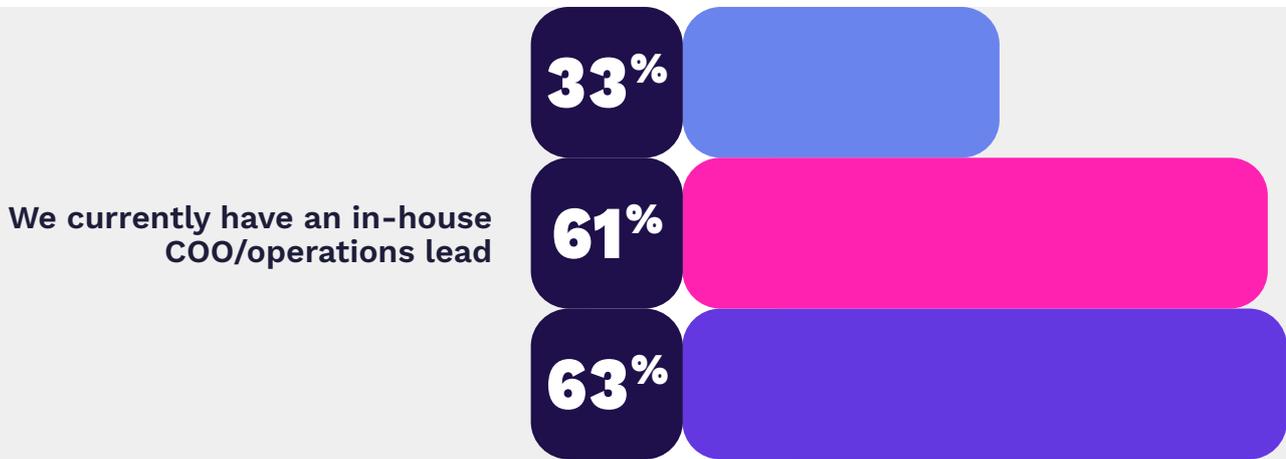
> "An effective project management system can assist with resource management which in turn could reduce burnout and positively impact employee retention.
>
> **– Elena Lippincott, Co-Owner of AOR, Inc.**

ASPIRING
and in need of guidance

Aspiring agency leaders are well aware of their challenges and know where they want to grow. These professionals are involved in their operations system — some likely chose the technology and tools, and many run the show for their agencies.

Aspiring agency leaders are nearly two times as likely as Overwhelmed leaders to work more than 40 hours per week - putting them at risk of burnout. But far from stuck, these leaders are motivated to improve their operations; they just need a game plan.

Aspiring agency leaders are significantly more likely to:

- Live in the U.S.

- Work in traditional agencies — marketing, creative, digital, brand, advertising

- Work for smaller agencies with 50 or fewer employees

- Self-describe as women

Aspiring to overcome challenges

On everything from providing the most up-to-date information to clients to keeping team members informed, Aspiring agency leaders are much more likely to cite operational challenges.

Legend:
- Overwhelmed
- Aspiring
- Confident

Difficulty getting project tasks completed on time
- Overwhelmed: 27%
- Aspiring: 48%
- Confident: 22%

Difficulty keeping projects on schedule
- Overwhelmed: 23%
- Aspiring: 47%
- Confident: 16%

Difficulty projecting team member utilization for projects
- Overwhelmed: 24%
- Aspiring: 44%
- Confident: 16%

Difficulty getting team members to consistently complete timesheets
- Overwhelmed: 22%
- Aspiring: 44%
- Confident: 17%

Difficulty developing consistent processes for projects
- Overwhelmed: 29%
- Aspiring: 39%
- Confident: 11%

Difficulty using time-tracking data to improve team member utilization
- Overwhelmed: 23%
- Aspiring: 40%
- Confident: 16%

Difficulty getting project tasks completed on time
- Overwhelmed: 22%
- Aspiring: 36%
- Confident: 14%

Stuck overservicing

Aspiring agency leaders are significantly more likely to say scoping issues cause them to overservice clients. Scope creep, poorly defined scopes, and inaccurate scoping are common agency issues.

Fortunately, tried and true solutions can work wonders for reducing or eliminating these issues. Aspiring leaders are almost two times as likely (71% vs. 44%) as Overwhelmed leaders to say they overservice to keep clients happy. We understand the pull. But agencies must protect their interests, too.

Overwhelmed
Aspiring
Confident

To keep clients happy
- 44%
- 71%
- 59%

Failing to address scope creep with the client
- 21%
- 65%
- 25%

It's hard to say no to clients
- 26%
- 42%
- 34%

Poorly defined scopes of work
- 23%
- 35%
- 21%

" Find the balance between overservicing and clients taking advantage. Communication of expectations is critical in ensuring the client and agency fully understand the SOW. This can serve as the foundation for discussions to keep everyone aligned and keep it based on facts and not emotions.

- Ali Lego, COO of COHN marketing
"

44

Using time-tracking data extensively

Aspiring agency leaders use time-tracking data in more ways than the other segments. It's clear they are committed to improving their operations.

|	
Client billing	65%
Tracking profitability	64%
Future capacity planning	59%
Keeping track of billable/non-billable time ratio	57%
Visibility/transparency regarding what the team is working on	52%
Improving scoping accuracy	52%
Seeing project progress in real-time	48%
Identifying scope creep	41%
Preparing data for employee reviews	31%
Improve payroll accuracy	27%
Preparing data for incentives or bonus programs	21%
Preparing data for an employee's promotion	20%

CONFIDENT
and operationally sound

Confident agency owners are productive, positive, and profitable. Their operations are the gold standard — employees understand how to use the tech stack and, dare we say, even like it. Because their agencies have all systems go when they start projects, everybody can focus on delivering solid work that clients dig. If you don't relate to this segment, that's okay. Use their approach as a blueprint for upgrading your operations.

No challenges to see here

Overwhelmed

Aspiring

Confident

Confident leaders are significantly more likely to say their agency faces **no challenges**. They're confident for a reason; their approach keeps operations efficient and challenges minimal or nonexistent.

My agency doesn't experience any challenges

12%

8%

39%
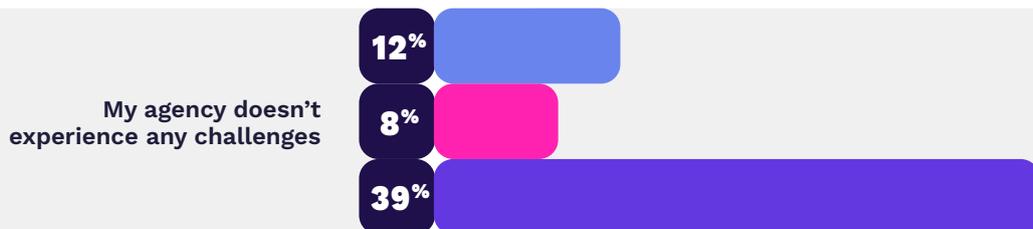
Time-tracking, on time, most of the time

Confident agency leaders are significantly more likely to say timesheets or time-tracking are complete 90% of the time at their agency. Our interpretation? When your culture is technology-friendly, employees find it less of a burden to count their hours, especially if your tools integrate, making it as easy as a click of a button to log their time.

Overwhelmed

Aspiring

Confident

Time sheets are completed on time about 90% of the time

12%

23%

33%

Confident in increased profitability

Confident agency leaders are significantly more likely to be extremely confident their agencies will be more profitable in the future. Agencies that want to be equally confident should follow their lead. Confident agency leaders share a range of things their agencies are doing right: creating a technology-forward culture, high autonomy for employees, high visibility for clients, and choosing tech vendors that understand agencies.

Extremely confident in increased profitability in next year

14%

17%

33%
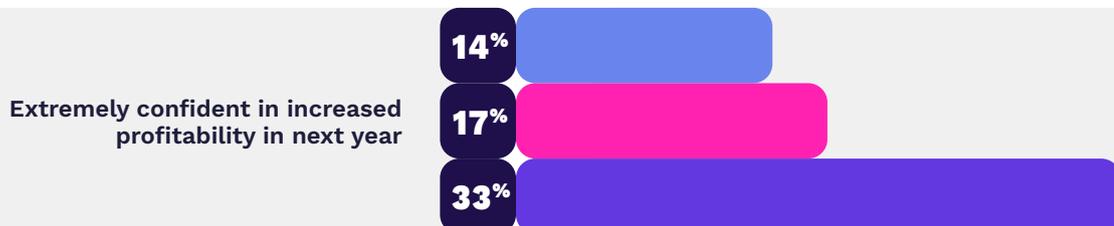
> "
> Software won't fix poor culture or human behavior. It can help support or reinforce good behavior, but the culture and policies must reinforce it.
> **- Jacob Hoehne, Chief Impact Officer of ISSIMO Story Agency**
> "

AGENCY LEADERS THINK AHEAD TO FUTURE CHALLENGES

What challenges do agency owners anticipate in the next five years?

Here's what's on the horizon for agencies at all levels of operational efficiency

Overwhelmed agency leaders:

"With the rapid development of technology, organizations need to keep up with the latest technological trends and innovations to remain competitive and meet the needs of their clients."

"The need to move faster, be more creative, and deliver results for a new kind of CEO — as older CEOs move out, newer (younger) ones place more value in digital and understand it better than older CEOs who may not believe in it at all. They will come with higher expectations and will want bigger outcomes."

Aspiring agency leaders:

"Increased desire by clients for 'speed' and cheap options."

"Strong freelancers and consultants managing ads and doing SEO rather than hiring agencies because they're cheaper but still a strong person managing and executing."

"Competitors offering service for a fraction of the cost."

"The right customer touch. Will clients still want a more personal touch or virtual? Our model is more personal, which could get out of date."

Confident agency leaders:

"Clients are waiting and not committing up front to big projects but rather breaking them up into smaller chunks and buying them/working on them in sprints."

"Any agency not changing the way they operate and working with AI will be left behind."

Inflation, economic uncertainty, staff turnover, and AI are common challenges shared by agency leaders from each segment.

"

The good news is – agencies are being valued more and more for being strategic partners who truly understand the business challenges their clients are facing.

For the rest of 2023 and next year, agencies need to focus on:

- Niching down because clients want specialists, not generalists

- Improving reporting and demonstrating measurable ROI

- Building consistent programs to take new ideas to existing clients so they still feel valued and important

- Measuring profitability by client and not tolerating less than 10%

- Understanding your billability and utilization numbers and fixing the problems that surface when you dig into them

- Weaving AI into your work and being a guide to clients on the AI front

"

– Drew McLellan, agency owner and CEO of Agency Management Institute

ABOUT TEAMWORK.COM AND AUDIENCE AUDIT

teamwork.com

Teamwork.com is a project management software built to help agencies manage the entire lifecycle of their client work in one place. The platform provides all of the features you'd expect, plus integrated time-tracking and financial management to ensure your projects are delivered on time and on budget, including budgets, retainers, and invoicing.

audienceaudit™

Audience Audit is a research agency specializing in attitudinal segmentation audience research and strategy. Founded in 2009 and serving primarily other agencies, the firm has conducted audience research for hundreds of marketing agencies, their clients, and agency service providers.

Demographics

The insights in this report came from 512 agency leaders working in agencies across the globe. Most respondents reside in the U.S. with additional respondents participating from the UK, Canada, Australia, Ireland, and a handful of other countries.

Agency leaders work in a range of agency types, with many working in agencies that offer multiple services.

Agency type	Percentage
Web development agency	41%
Digital marketing agency	36%
Marketing agency	31%
Creative agency	29%
Design agency	23%
Social media agency	21%
Advertising agency	20%
Brand agency	20%
eCommerce agency	18%
Research agency	14%
Promotional agency	9%
PR agency	9%
Event agency	6%
Another type of agency	14%

Time in business

|		
	1 year or less	**3%**
	2-4 years	**11%**
(98 Agencies)	5-9 years	**19%**
(162 Agencies)	10-19 years	**32%**
(89 Agencies)	20-29 years	**17%**
	30-39 years	**8%**
	40-49 years	**3%**
	50 years or more	**6%**
	I'm not sure	**2%**

Number of employees

Many agencies (42%) have 50 or fewer employees, but we see agencies with anywhere from fewer than 10 to over 3,000 employees.

Fewer than 10	**22%**
11-50	**20%**
51-100	**12%**
101-250	**11%**
251-500	**10%**
501-1000	**8%**
1001-3000	**5%**
3000 or more	**12%**
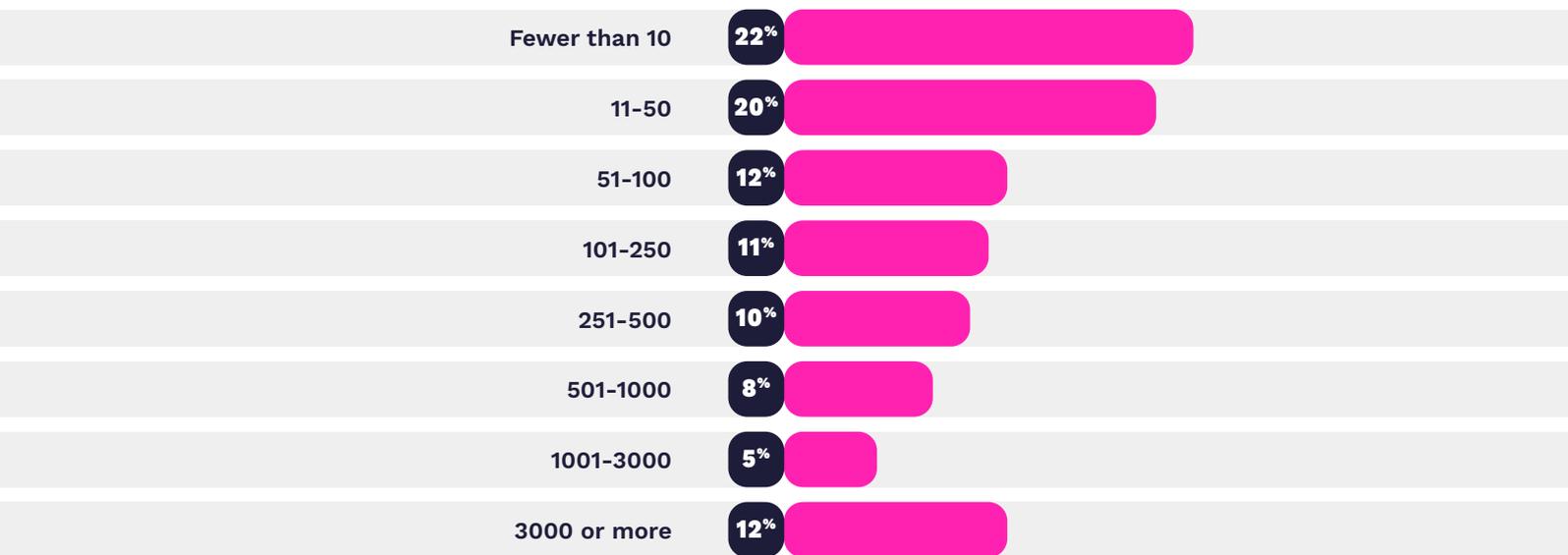
Role in Agency

1 in 4 are owners/founders

1 in 3 are managers

1 in 10 are directors

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THE ONLY ALL-IN-ONE PLATFORM BUILT FOR SCALING CLIENT WORK.