

INSIGHT BRIEF · PROFESSIONAL SERVICES

Utilization vs. Realization: Which Number Is Lying?

High utilization with weak profits means one of your two favourite metrics is misleading you. A brief on what each number actually measures and how to read them together.

A firm can run 85% utilization and still miss its profit target, and when that happens the instinct is to push utilization harder. It rarely works, because utilization was not the problem.

Utilization asks: are people working on billable things? Realization asks: did the billable things turn into cash at the rates we planned? The second question is where fixed-fee overruns, discounts, and write-offs live.

What utilization hides

Utilization counts hours coded to billable projects. It says nothing about whether those hours were within budget, at full rate, or ever invoiced. An engagement running 40% over its fixed fee generates beautiful utilization the whole way down.

Realization is the honesty check

Realization compares what was billed and collected against the standard value of hours worked. Every write-down, scope overrun, and courtesy discount lands here, which is exactly why it is the less popular metric.

A firm at 85% utilization and 80% realization is quietly donating a fifth of its standard value. That donation never appears on a timesheet.

Read them as a quadrant

- High utilization, high realization: healthy. Protect pricing and watch burnout.
- High utilization, low realization: busy and leaking. Look at scoping, budgets, and who approves write-offs.
- Low utilization, high realization: strong delivery, weak pipeline. A sales problem, not a delivery problem.
- Low both: the model itself needs the review, not the metrics.

Fixing realization

- Track budget burn on fixed-fee work weekly, not at the invoice
- Make write-downs visible per project and per partner, with reasons
- Price from actuals on the last ten similar engagements, not optimism
- Catch scope change when it happens and paper it, same as a contractor's change order



Questions about any of this?

Summit Business Systems has been implementing ERP for Ontario businesses since 1991. We are an Acumatica Gold-Certified Partner based in Barrie, working with construction, field service, distribution, and professional services companies across the province. If you want a second opinion on anything in this insight brief, we give straight answers.

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