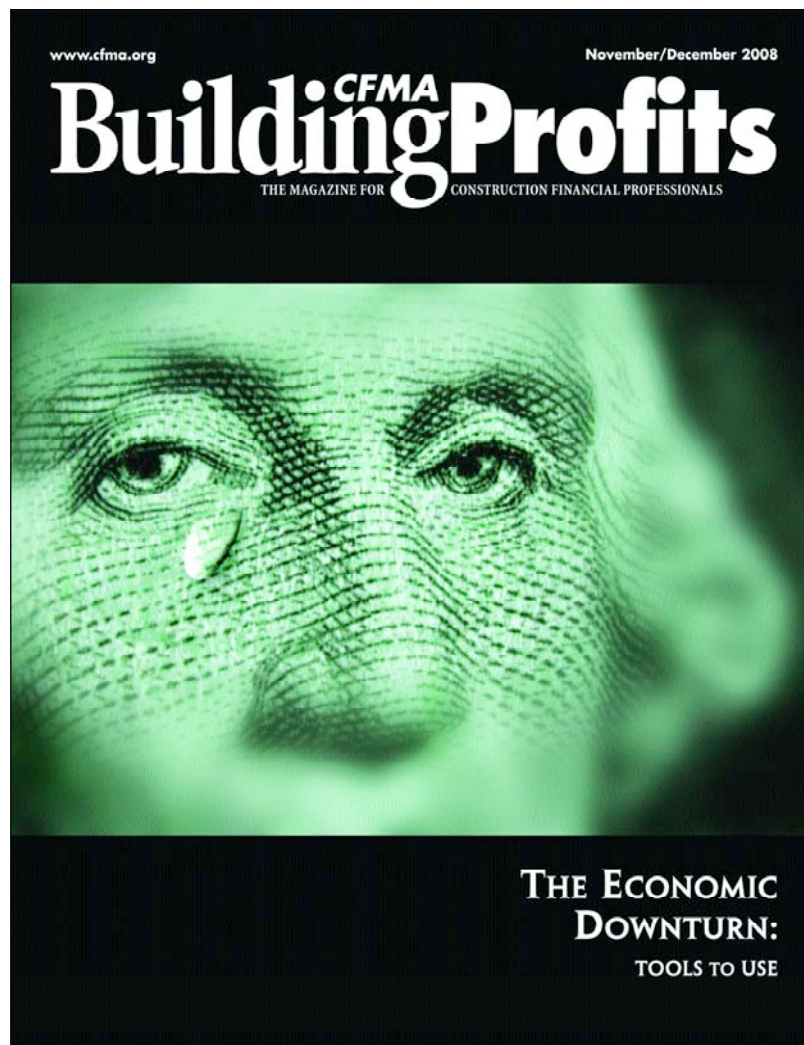


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FIVE STEPS TO GET MORE FROM *The Software You Already Own*

Traditionally, economics is defined as: “The study of the allocation of scarce resources between competing wants.”

In today’s tough economy, this definition couldn’t ring more true. For CFMs, the “competing wants” in the current economic climate are the owner’s need to have better, more timely information vs. the CFM’s desire to produce that information with greater efficiency.

The “scarce resources” in this scenario are the limited funds available to make these two things happen.

Pushed to do more with fewer resources, CFMs must make the best use of the tools they already have – specifically, their current software programs. Yet, many contractors don’t recognize software as an essential financial management tool.

While field staff use service trucks, backhoes, and other traditional construction tools, CFMs rely on accounting software and supporting programs to manage their companies’ day-to-day financial operations.

A Useful Discovery Solves the Economics Conundrum

After working for (and with) numerous contractors over the past 20 years, I’ve discovered that most companies are not fully utilizing the software they already have in place.

Sometimes this is related to personnel or training issues. But, more often than not, many employees aren’t aware of all the



functionality available in their company’s existing software. This discovery is good news for CFMs. Why? Because not only is it possible to use their current software tools to deliver better, more timely information, but it’s also possible to accomplish this feat more efficiently – and within a limited budget.

This article outlines five steps to get more from the software you already own. Beginning with an internal audit and ending with a plan for continuous improvement, you’ll learn how to identify areas of inefficiency, the factors that can affect your efforts, and where to put your company’s resources for maximum impact.

Step 1: Take Inventory of Your Current Software Solutions

The first step is to conduct an internal audit and take inventory of what you have. During this process, you should make a list of your current software, check to see if

you're running current versions, and investigate new hardware developments.

Make a List

To perform a thorough audit, document every software program your company has purchased. Record how many people are using each program, what modules are being used, which versions are installed, and if all maintenance agreements are current.

In general, CFMs have a pretty good idea about what programs are deployed across their companies. But, if you're not sure what's being used for estimating, project management, service work, and so on, get input from each department manager.

If your company has an in-house IT staff, ask them to ensure that your list is complete. If you use outside IT consultants, find out if they've already created a software inventory list for your company.

Exhibit 1: Utilization Matrix – Where Does Your Company Fall?			
	BASIC	MEDIUM	ADVANCED
ACCOUNTING			
Excel spreadsheets and third-party software	X		
Financial statements prepared in Excel	X		
Departmental P&L in an integrated system		X	
Electronic document management system			X
Electronic A/P invoice approval			X
Basic PO tracking or a manual PO system	X		
Integrated PO system (including remaining committed cost and backorder tracking)		X	
PROJECT MANAGEMENT			
Basic job costing	X		
Advanced job costing		X	
PMs ask accounting for reports	X		
PMs produce their own reports in system		X	
Change order management		X	
Integrated AIA billing		X	
Subcontract tracking (including insurance expiration tracking, lien waivers)		X	
Project documents (RFIs, submittals, transmittals, daily field log)			X
OPERATIONS			
Executive dashboards			X
Equipment management/maintenance schedules		X	
Inventory management		X	
Third-party service software	X		
Integrated service dispatch board		X	
Integrated mobile service			X
Remote time entry (employees or supervisors enter their own time remotely)			X

As you construct this list, keep in mind that *owning software doesn't guarantee that it's being used*. If you identify a solution that's not being used, find out why. Maybe the program was purchased, but training wasn't, so nobody knows how to use it.

Or, perhaps you own multiple user licenses for a system, but the program is installed on just one computer. This *idle software* has the potential to provide real benefit once implemented.

Check for Current Versions

Once you've identified your current software solutions, check with each vendor to see if you're running the most current version of their application.

When an outdated version is being used, it's not uncommon to conclude that it should be replaced by something newer and better. In reality, the software you already own may have all the features and functionality you need.

Investigate New Hardware Developments

When taking inventory of your company's software, it's important to consider recent hardware developments, since new technologies and platforms are released on a regular basis.

Functionalities that weren't feasible from a hardware perspective a few years ago (such as mobile field technology, document imaging, and remote timecard entry) may be very cost-effective today.

Step 2: Evaluate Current Software Use

Once you've identified your current software solutions, the next step is to evaluate how well those solutions are being used to support your company's vital construction management processes.

To get started, let's look at job costing, document management and workflow, service management, project document control, and executive dashboard reporting.

Job Costing

Job costing is the heart and soul of most construction companies. While virtually all construction accounting packages have job costing capabilities, they aren't always used by those responsible for controlling costs and job profitability – the PMs.

UTILIZATION QUESTIONS:

Do your PMs use your accounting system to run their own job cost reports?

Are they taking advantage of drill-down features and custom reporting capabilities to gain further insight into costs and profitability?

Are critical job cost details tracked in spreadsheets and then later re-entered into the accounting system?

To get the most benefit from your job costing software, it's vital to understand where inefficiencies (such as duplicate data entry) come into play. Once these inefficiencies are identified, you can take the necessary steps to streamline workflow and track information in real time.

Document Management & Workflow

Within most construction companies, information is shared by routing paper from person to person. But, electronic document management is emerging as the new industry standard for managing paper. If your company hasn't adopted a document imaging system, it's probably not managing paper as efficiently as it should.

UTILIZATION QUESTIONS:

How much time does your department spend each month manually filing, retrieving, and refiling paper documents?

Are documents and invoices ever lost or misplaced, only to show up after the job has been closed?

Do you ever find yourself printing e-mails and placing them in job files?

Many construction accounting software products have document imaging capabilities that allow contractors to incorporate electronic workflow into their day-to-day operations.

Adding document imaging to your accounting system, and developing specific workflows that leverage electronic information sharing, are great ways to get more from the software you already own.

Service Management

CFMs must often respond to multiple departments, particularly when their companies perform service work. For example, upper management wants timely reports on service profitability, accounting needs work order details for invoicing, and service managers need tools to better serve clients.

UTILIZATION QUESTIONS:

Are work orders being tracked in a separate system?

Is service work being billed in real time or is there a time lag?

Has your company ever lost service revenue due to under- or unbilled work?

Over the last few years, significant advances have been made in service management solutions. State-of-the-art scheduling and dispatching systems are now available, along with mobile field communication technology. Exploring new options for service management with your current vendor will allow for greater efficiencies within your existing solution.

Project Document Control

Managing project documentation is typically considered a field responsibility; however, when disputes arise, CFMs need access to this information to help defend their companies' position. Poorly tracked documents (or those only accessible by the PM) can put a contractor at risk if a project winds up in litigation.

UTILIZATION QUESTIONS:

Are your project documents tracked electronically, or are your processes still paper-based?

How quickly could you access documents like RFIs, submittals, and transmittals if faced with a dispute?

Are your daily field logs kept up-to-date, thereby creating accurate histories of jobsite conditions throughout each project's life cycle?

In today's litigious society, it's vital for CFMs to have visibility into project details. Finding ways to incorporate project document control into your current software should be a top priority.

Executive Dashboard Reporting

An executive dashboard provides an aerial view of your company, complete with drill-down capabilities. Once reserved for top management, today's executive dashboards can be deployed across various levels of your company to provide instant updates to accounting, operations, service management, etc.

UTILIZATION QUESTIONS:

Do you have an early-warning system that notifies you of job cost overruns or A/R invoices that are 60 days past due?

Is your accounting system set up to automatically generate specific reports at specified times?

Do your overview reports visually represent all included data? Can you drill-down to details on-screen?

By supplementing your standard reports with a dashboard display that includes key performance indicators (KPIs), graphical elements, and user-defined alerts, you'll be better positioned to make smarter, faster business decisions.

Develop templates that incorporate all of these utilization questions. Evaluate every process in your company, including procurement, A/P workflow, equipment management, change order management, estimating, and resource scheduling.

When you've completed this step, refer to Exhibit 1 on page 60 to help pinpoint where your company falls on the utilization scale, and to identify areas that need special attention.

Step 3: Consider Factors that Affect Utilization

Once you've taken inventory of your current software and discovered where its utilization could be enhanced, it's time to consider what factors might affect your company's ability to implement a plan for improvement. This will include a review of the following:

Size & Type of Business

In general, smaller contractors may have less sophisticated software needs than contractors with hundreds of employees across multiple locations. Larger companies also tend to have more human and financial resources to put toward their software programs and better internal support when working to improve software utilization.

Technological Competence of Your Staff

How your employees view technology plays a big role in software utilization. A service manager who avoids computers at all costs, for example, will limit your company's ability to automate service operations. But, a technology-savvy employee

(one who grew up with computers, video games, and cell phones) will eagerly embrace the latest software advances.

Management's Desire/Need for Information

When company owners and/or management really want better information and greater efficiencies, software utilization will improve. However, if they're happy with the way things are, the argument for better software utilization may fall on deaf ears.

Financial Resources for IT Implementation

While this factor relates somewhat to the size and type of contractor, overall company profitability also comes into play. Adding modules to your accounting system requires an upfront investment, as well as training and higher maintenance fees.

So, a profitable company (no matter what size or type) will be better positioned to afford the transitional costs necessary to reach greater software utilization.

Sophistication of Your IT Infrastructure

Having in-house IT staff usually makes it easier and less costly to roll out new software or hardware. If you use outside IT consultants, paying by the hour can stall a software utilization plan if these costs aren't in the budget.

Motivation to Improve Processes & Efficiency

If you're motivated by the need to create better information more efficiently, taking steps to get more from your software will become a priority. For less motivated CFMs, performing a simple cost-benefit analysis can provide the impetus for change. To see how the numbers add up, let's look at three possible scenarios:

- 1) The use of spreadsheets to manage various accounting tasks adds two hours of manual data entry time per week, or 104 hours a year. At a conservative, fully-burdened rate of \$30 per hour, manually performing these tasks costs \$3,120 a year.
- 2) Each PM spends four hours per month (or 48 hours per year) doing cost projections by hand. With five PMs, that amounts to 240 hours per year. At a conservative, fully-burdened rate of \$50 per hour, performing projections by hand costs \$12,000 per year.
- 3) Lack of timely information on job costs, change orders, procurement, and equipment management decreases the ability to control profitability. If just one project goes sideways as a result of poor information, the profit loss can equal at least \$10,000.

Step 4: Develop an Action Plan

Saving your company at least \$25,120 each year is a pretty compelling reason to take this step. At this point, you should know where your company's software utilization can be improved and what factors might impact its efforts. Now, you need to develop an action plan for getting more from your software. To accomplish this, you will need to:

Re-Engineer Your Processes

In Step 2, you identified areas where your current software is underutilized. Now it's time to examine the contributing processes – and to re-engineer them to make better use of your software.

If you're managing purchasing in spreadsheets, for example, and your accounting software has a purchase order module, why aren't you using it? Do you own it, but don't know how to use it? Or have you never added it to your system?

Develop additional policies and procedures to fill the gaps and document these standards in a software handbook. Review the online help guides for your software systems and add notes specific to your company's established procedures. Finally, schedule training to ensure that the use of your software supports your new standards.

Get Current & Evaluate New Modules

Upgrade to the most current versions of your software programs and update lapsed maintenance agreements. Evaluate modules that your company doesn't own and consider how these pieces of functionality can support your re-engineered processes.

As in the previous examples, doing the math can help determine whether investing in new modules will pay off. Does the amount of time your staff spends filing, retrieving, and refiling paper (and the risk associated with missing documents) outweigh the cost of implementing electronic document management?

Would automating field service management (which decreases back-office data entry, speeds billing time, and makes collection easier) be more cost-effective than constantly chasing service information? These are the types of cost-benefit questions to ask.

Consider Custom Programming

Sometimes, even minor customizations to your current software can increase process efficiency and produce more effective utilization.

For example, if you're not using your software's AIA billing feature because the printing format doesn't meet your needs, a custom report could solve this dilemma quickly and cost effectively.

Hint: If you're using Excel to do any type of reporting, you're not getting the most benefit from your software.

Develop a Strong Internal Support Team

Build a strong internal support team to handle issues, find improvement opportunities, and build confidence around your software systems.

Take a "train the trainer" approach and create subject matter experts (SMEs) on everything from job costing and payroll to estimating and project management to minimize downtime and unnecessary costs.

Step 5: Establish Procedures for Continued Utilization

If you've made it through Steps 1-4, give yourself a pat on the back – you're well on your way to getting more from the software you already own! Your final task is to establish the following procedures for continued progress:

Stay Current & Get an Annual "Check-Up"

Getting more from the software you already own is an ongoing effort that requires revisiting these five steps at least once a year. One of the biggest mistakes clients make is not recognizing that new features are included with every upgrade.

So, schedule an annual software check-up that includes an on-site trainer to ensure your software is current and that you're aware of all new features. If onsite training isn't available, the next best option is to perform your check-up online. Many vendors also offer low- or no-cost Webinars that cover new functionality, which is a great way to stay current.

Keep Up-to-Date on New Module Development

As new technologies emerge for the construction industry, software vendors develop new modules to leverage those technologies.

Charged with delivering better, more timely information with greater efficiency, CFMs should stay up-to-date on these developments.

This means reading e-mail alerts and newsletters from your vendors, and periodically visiting their Web sites.

Participate in Conferences & User Groups

Finally, attending annual user conferences and participating in regional user groups will help you learn tips and tricks from your peers in a non-competitive environment.

Networking also helps you discover new ways to utilize your current software and gives you the opportunity to investigate the real-world benefits of new modules before adding them to your system.

A Clear Path to Success

After walking through these five steps, you should have a clear path for producing better, more timely information with greater efficiency – and on a limited budget.

Remember that you're not alone on this path. You have a group of partners with a vested interest in your success – your vendors that develop, support, and maintain the software your company already owns. **BP**

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