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Expanding *the* Tool Belt for Today's *Successful* Contractors

Project managers, engineers and laborers would never set foot on a worksite without wearing a hard hat. Would they carry a Pocket PC, notebook computer or personal data assistant as well? Probably not. Today's contractors often operate in a work environment that generations before them created. Their fathers, grandfathers and even great-grandfathers taught them the skills they use every day to run a construction business. They have many things in common such as hard work, vision and commitment. While technology may not be a tool you wear on your tool belt, or erect a building with, for today's generation of construction business owners, it is one of the most important tools of success.

Applying Technology to Increase Your Competitive Advantage

Implementing technology in the construction industry has traditionally been viewed as an accounting exercise. This is no longer the case. Software has come a long way since previous generations ran the business. Systems are no longer used exclusively by accounting to report historical transactions, rather, they are used on the front line to predict and manage project costs on a real-time basis. More importantly, company owners and top executives are using technology to more effectively manage and control the entire business.

Leading construction companies are successful at capturing information and data at the source into an integrated system that will immediately allow visibility of that information to the entire company. For example, a common activity in any construction business is writing contracts and making change orders to those respective contracts. In the past,

project managers would write the contracts in Word and then submit them to the accounting department to enter into the accounting system. Fully integrated software allows project managers to manage projects, subcontracts, purchase orders, change orders and other project documentation in the field, at the time of the event. The benefits include elimination of dual entry of data between the project managers and the home office and full visibility of this information throughout the entire company. This information is also permanently available to resolve any future claims or disputes.

The benefits of implementing integrated systems go beyond just streamlining business processes. Implementing new technology and centralizing all of your company's financial and project management information will improve your control of the business as well. Benefits of integrated systems include: capturing data at its original source, which eliminates errors and provides increased visibility; a more streamlined consistent process, which eliminates clerical work and is easily documented; timely decision making; and an overall competitive advantage for your company by recruiting the best people and utilizing historical information for future bidding.

Project costs and budgets maintained in a fully integrated system can improve the accuracy and timeliness of data reviewed to make strategic business decisions. For example, project managers can view costs and budgets on their projects in real time, allowing them to flag potential problems with cost overruns when they occur so that they can take actions. They also have the ability to keep a close eye on cost postings to each job, which allows them to contact field personnel if they notice an error or overrun. Finally, they can view reports and inquiries in the field, on a per job basis, to see how they are performing against their original budget.

Payroll is no doubt one of the most tedious cost reporting procedures in construction businesses. Technology can play a big role in streamlining the payroll function and eliminating errors. Faxing in timesheets from job sites on a daily basis is common practice for a lot of construction companies. The foremen on the jobs are responsible for submitting the time to the payroll department. The payroll department then enters the data into the payroll system and completes the payroll process. Today's technology allows foremen to submit timesheets electronically from the field directly into the home office payroll system. This allows the payroll department to shift their responsibilities from re-keying data to reviewing data and focusing on payroll compliance. Finally, the electronic submission of data prevents typographical errors that are inevitable when re-keying data.

Managing All Those Spreadsheets

How many Excel spreadsheets do you use to run your business? The figure is probably pretty high if you look hard enough. More importantly, how many errors are in those spreadsheets? To cut back on errors, a fully integrated system will allow everyone to utilize a common database and standardized reports. It's ideal because the majority of reports that you rely on can be generated from the system using current data. Most systems allow you to custom design reports that will provide you with information that is important to help you run your business.

Integrated systems provide the opportunity to capitalize on numerous ways to improve your internal controls. For example, integrated systems allow you to establish granular security within the entire system. Security can be established to only allow users access to functions that are necessary to carry out their job responsibilities. Did you know you can print your company's checks to blank check stock? This is a great internal control because you eliminate pre-printed

checks lying around the office and only allow checks to be generated from the system from authorized users. Other internal control improvements include: taking advantage of a three-way match process (purchase orders, receipts and invoices), segregation of duties, improved audit trails and documented processes.

Adapting Your Business to an Evolving Business Environment

The construction business is changing – the utilization of technology as a tool is becoming pervasive. Technology should be an integral tool in strengthening your business process; it is no longer an optional tool. Implementing these tools and rethinking your business process is very similar to a construction project your company undertakes. You should start out by developing a plan which includes the project objectives, project scope, budget and the business case to proceed. You should seek help developing this project plan. After all, this is the foundation that you will use to manage and measure the project.

The next step typically involves getting your team in place to define the business requirements that a system must meet. Once those have been agreed upon, a review of the software marketplace is a must. You should entertain two to three competitive bids in this process to assure yourself of a leveraged process and to get the best deal. You should also request a not-to-exceed bid by the vendor for all hardware, software and services based on the scope of your project. A decision can then be made on the best fit for your business. After that, it is basic project management and hard work. Do not modify the software; rather, challenge and change your processes to take advantage of the software. Manage the initiative as you would a construction projection: track changes, manage issues and keep people accountable. When you are done, the benefits should be well worth the price. You truly should have increased the value of your business and enabled the next generation of your business to be successful.

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