Construction is a tough business—and unfortunately, the method used by many construction companies to monitor project costs and financial costs makes it even tougher for them.

Like just about any other business, construction companies never have enough of that most important commodity: time. But those companies need to realize that a solution to effectively acquire more time and profits—through increasing productivity and saving labor—can be found within the right financial management software.

Of course, many firms don’t realize they’re wasting time and money by employing multiple software systems that handle multiple tasks. The key problem: those multiple systems require duplicate entry of identical information.

Instead, they consider using software that meets all of the contractor’s financial-reporting and project cost-monitoring requirements in a single package with single-entry of data. It should be flexible enough that the construction company doesn’t have to change its procedures and reporting requirements, in order to meet the needs of the software package. (That, after all, is like the tail wagging the dog.)

Plus, it should be easily modified at low cost as the company’s needs change, without risk that the software will become obsolete.

Choosing the right financial management software can help construction companies effectively acquire more time and profits, through increased productivity and decreased labor.

The Problem

We all know the problem. The (fictitious) XYZ Construction Company invests thousands of dollars on the latest software package designed to handle its job-cost and financial-reporting needs. As work progresses on various projects, XYZ’s accounting people enter all of the information needed to process payroll, pay the bills and pro-
duce accurate financial reports.

However, the project managers—whose needs typically are very different from the accounting staff’s—discover that the financial system can’t produce the information that they need to help them run the jobs profitably. So, the accounting staff re-enters the same data, perhaps into a spreadsheet program, where it’s “massaged” to provide the project managers with the required job-management information.

Everyone’s happy. Sure, it took a lot of time to enter identical data in several places, but so what? “Everybody does that.”

We’re Not Happy Anymore

Then “things” start to happen. Data entry errors start showing up as what-should-be identical information in two places doesn’t reconcile. Of course, your business and job requirements keep changing, and you find that the software package you bought isn’t flexible enough to keep up—which means more spreadsheets and duplicate work.

To top it off, your in-house computer guru—the only one on your staff who knows how to make all of the spreadsheets work—leaves your company.

You continue putting up with more and more inefficiency, because the only alternative is to throw away the old software and convert to an entirely new system. Finally, if things get bad enough, you bite the bullet and purchase new construction-management software—and, if you make the wrong choice, you’ll be in the same position again in two years.

Sound familiar? Unfortunately, many companies don’t know there’s a better way.

‘Doing it Right’

One construction company that certainly knows the importance of “doing it right the first time” with financial management software is

Software - Cont’d from page 15
the Tricon Group, a drywall/stucco/painting contractor based in the Los Angeles suburb of Newbury Park, CA.

“We’re juggling up to 15 projects simultaneously,” said Larry Satcher, Tricon Group’s president. “Keeping track of the countless variables, with maximum efficiency and accuracy, is absolutely essential to our profitability and our customer service.”

Tricon’s finance/accounting and administrative staffs use FRONT financial management software by Dexter & Chaney with their personal computers. When they collect job-related information—i.e., from a construction worker’s time card—they enter that information once into the system. At the touch of a computer key, that information is distributed to the sub-categories—payroll, job cost, equipment cost control, general ledger, etc.—that require it.

That same information can then be “sliced and diced” any way that Larry or vice president Bob Sato would like to give them the type of management “picture” that they need—without rekeying the data a second time.

On their old system, Bob and his staff each month would manually produce a spreadsheet report for each job. That required gathering and entering data from job estimates, purchase orders, and job cost. But their new system, when fully implemented, will provide this key report at the touch of a button; no information will be searched for manually or re-entered. The time saved on those tasks will be devoted instead to analyzing these reports and taking action to control costs, or on some other productive activity.

A similar situation existed with progress billings. Every month, information from Tricon’s old system was re-entered into spreadsheets to produce the billing amounts. Those amounts were then entered back into accounts receivable to produce invoices. Now, however, billings are produced completely within the
new system, including any follow-up adjustments.

Any construction firm with $1 million or more in annual sales could benefit greatly from the right single-entry program. One obvious benefit: time can be spent on more productive things than entering the same information multiple times.

Here are what I call “Nine Ways to ‘Do It Right’” when choosing financial management software. A construction firm should view its software as a “profitability tool”—and thus, like any other tool, purchase the right one and then use it properly.

*No. 1 (by far): Start by asking yourself a simple question: How many spreadsheets do we need in order to get the information required to run our business? Avoid systems that require you to manually keep spreadsheet programs up-to-date (usually every week), or download data to the spreadsheet and then run special macros to print the desired information.

In short: use a financial management software program that allows you to monitor project costs and gives you the management information you need without unnecessary duplication of efforts like maintaining multiple spreadsheets.

*No. 2: Of course, pick a system designed for single entry of data that can “flow” to any of the sub-categories (job cost, payroll, billing, accounts receivable, etc.).

*No. 3: Make sure that it can easily be modified. Software written in a fourth-generation programming language—which many people in the construction industry thought was something of a “luxury” only a few years ago—is becoming more widespread. Simply put, a fourth-generation language means that the software package can be easily and quickly reprogrammed to meet the customer’s changing needs.

*No. 4: Pick a “date-sensitive” system that allows data entry and reporting that can be continually processed—even at month-end or year-end closing. Your financial management system shouldn’t come to a dead stop during those times.

*No. 5: Be certain that anyone—particularly project managers—can have direct access to the system at any time while using their PCs, and can report or enter information without disrupting the accounting personnel.

*No. 6: Look for a system that can be updated with minimal disruption to your company, while maintaining any programming developed specifically for you. Some software products—particularly those written in a fourth-generation language—greatly simplify the process and enable it to be done in a
cost-effective manner. With a fourth-generation language, the vendor can easily maintain the customer’s special programming over the years.

*No. 7:* Choose software that runs on all of the open-system hardware technology (primarily Unix, DOS or Novell network systems). Software using a fourth-generation language will run on any new hardware platforms (computers and operating system) that become available, and take advantage of their enhanced speed and capabilities.

*No. 8:* Select software not only for the product, but for the after-sale service, as well. Choose someone whose service personnel are knowledgeable about both the software product that the company is selling, and about accounting as well.

*No. 9:* Ask for references. Just as you’d do your homework on a heavy equipment purchase, do it for your software, as well. Insist upon a full-featured solution that handles your specific problems and which can be updated regularly without hassles.

**You Have Other Things to Worry About**

Satcher, Sato and their team at the Tricon Group have countless items to worry about each day, and they believe that their financial management software shouldn’t be one of them.

We’ve worked with hundreds of construction companies since we started our business in 1981—from five-person companies to major firms with hundreds of millions of dollars in annual sales. If we’ve learned one thing from our experience, it’s this: construction companies often overlook the profit potential—in terms of reduced labor, decreased errors and lessened frustration—that literally awaits them within their computers.

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**About the Author:**

John Chaney is cofounder of Dexter & Chaney, a Seattle-based company formed in 1981 that supplies advanced business management software to construction companies throughout the United States.

Mr. Chaney, a certified public accountant and BMA, sits on the board of directors of the Puget Sound Chapter of the Construction Financial Management Association (CFMA).