Taking Advantage of Accounting Tools

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To get useful information out of your accounting system, you have to put useful information in, which means changing the way you look at software and your company.

Like anything in life, software is what you make of it. On its most basic level, software is a tool that solves problems, but it could and should be so much more. For most companies, the accounting department has the most tangible problems, and accounting software will solve basic needs like payroll, accounts payable, and accounts receivable. If you simply learn the basics, an accounting system will speed up those processes. But you have to ask yourself: Did you really pay thousands of dollars and spend countless hours in the implementation process for a glorified bookkeeping system?

Most companies aren't taking full advantage of their accounting software. They're satisfied because they simply don't know what they're missing. Yet the real benefit of accounting software is the information you can get out of it. Of course, to get useful information out, you have to put useful information in, which means changing the way you look at software and your company. Why? It's one thing to know what software can do, but another to put the practices into place. Until you go beyond basic bookkeeping, nothing really happens. Don't just pay bills; use your software to manage your company.

Grow With Your Software

Everything gets old—everything except software. Software companies update their products and release new versions as technology advances. That's great, but it also means you have to continually learn what the software can offer. "People tend to get new software and then use it the way they used their old software," explains Brad Matthews, vice president of sales and marketing for Dexter + Chaney, Seattle, Wash. "You need to set clear goals and see what the software can do differently. How can it help you? You need to take the next step. It's really easy to stop at the initial implementation, but you have to keep going."

Too many companies stop learning after the initial implementation, which means they're only using a fraction of the software's capability. Some companies continue to use spreadsheets when the software can write a report with just a few mouse clicks. Or they manually enter information when that information can be pulled from the database. Fred Ode, owner of Foundation Software, Brunswick, Ohio, recommends that a few months after implementation you set up an utilization and effectiveness review. Just think ROPE. Research and question—ask key people questions and gather information. Organize—prioritize your information. Plan—go through the system to make sure you can get out of the system what you need. Execute—go and actually do it.

"Don't accept the status quo," explains Ode. "Make technology a part of the budget. If you continue to improve your use of technology, your company becomes a well-oiled machine."

Enclos Corp., Bloomington, Minn., a commercial contractor, has done just that: Technology and education are built into its budget. "One year ago we started Enclos University," says J.B. Niday, CFO of Enclos. The company uses technology from Penta Technologies, Brookfield, Wis., developers of financial and project management enterprise software.

Each project manager at Enclos will have to put a certain number of hours of study at the university each year, learning everything from best practices overall to performance management and knowledge management to the latest software features.

"The short-term cost of not having a project manager on a job for five days [because he's at the university] is far less costly than not having experience down the road," explains Niday. "It's a short-term sacrifice. You need to commit time and money to make it happen. But in the long term, we need more people who are trained and won't make mistakes."

Southern Maryland Cable Inc., Tracy's Landing, Md., recently invested in additional training on its Foundation Software. "When you first get set up, you're using only the basics because it's overwhelming," says Joy Toews, controller. "You probably miss 50% of what's in [the software]," says Toews. "Once you get comfortable, it's good to have them come out to get that advanced training and learn about new features. I would really like to do it every year, but every two years is probably more realistic."

Software isn't the only thing that changes over time, so does your business. "A lot of contractors have been at it for years. Over the years things have changed, and some have never taken another look at their systems to see what's changed," says Dick Werner, president of Shaker Computer, Latham, N.Y.

As companies grow, so do their software needs. Dan Buffington, owner of Buffington Homes, Seabrook Island, S.C., started his business using Quicken and spreadsheets. Last month as you will recall Constructech interviewed Dan and he explained that as his company grew he realized he wasn't able to get things done. "It became very cumbersome. We were two months behind on reports and numbers, and we didn't know what was going on," he says. He realized he needed a software package tailored to the construction industry, and when a friend mentioned that Intuit, Mountain View, Calif., makers of Quicken acquired Master Builder, he knew he didn't need to look any further. "It was painful, but if we were going to do it, we wanted to do it right."

Since implementing Master Builder in 2002, Buffington has continued to train through his pro advisor—a consultant that Master Builder provides each customer to make sure that users are getting the most out of their software—and is looking at adding on new modules in the future.

Processes
You can buy all the cool software you want that has more features than you can count, but you have put the practices into place to make sure everyone uses them. How your software is used should be driven by business practices. One way to start is to form a best practices steering committee or task force. "Think of the company as a whole and not as separate pieces. The committee or task force should identify and propagate the use of best practices," says Kurt Koenig, vice president of Penta Technologies.

Niday realized that as Enclos was growing, it spent less time mentoring and training the younger staff and that everyone was doing things their own way. "There was an entrepreneurial spirit," says Niday. "When we got larger, the weaknesses came through, and we realized that we had to set up standards, a knowledge base, and procedures."

The project managers are now committed to the idea of sharing knowledge and setting standards. Niday realized the younger project managers were really frustrated with older project managers for not sharing their knowledge. Enclos realized if it want to grow to the next level, it need to institutionalize its best practices.

"The older project managers are feeling better about this. They were really threatened at first," says Niday. "But now they're starting to embrace that this is a legacy they'll leave behind. Ten years from now, people will be using their models; people will still be learning from them."

Terry Lewis, controller for Donley's Inc., Cleveland, Ohio, uses Foundation Software and realized that having everyone work and record in the same way would reduce errors. "We standardized the cost code system," Lewis says. "Now we can compare costs from job to job because all the codes are the same. It's been very helpful and cuts down on keying errors."

Always Job Cost
Software is your early warning system. Matthews says that may sound obvious, but many companies aren't using it that way. They're not getting a forward look at the job in time to make adjustments. Just doing job costing isn't enough either; you need to have accurate and up-to-date numbers so you can get accurate projections. "If a project manager can't look at those numbers and know they're accurate, they lose faith in the system and start doing things on their own," he says.

Werner says that most systems break down in being able to keep track of the original budgets and the revised budgets, so project managers and owners can see how they're doing with respect to the original budget.

The last year or so has made job costing that much more important. "Last year, the economy downsized our company for us," says Buffington. "Accounting became that much more critical to stay on top of expenses. We're always looking where costs are. Our numbers are up to date, so we know where we are all the time. There are no more guessing, no more questions. Before we did job cost through spreadsheets, and it was never up to date, and mistakes were made, or formulas got messed up." Now Buffington knows exactly where his projects are and where his costs are so he can make educated decisions, not guesses based on two-month-old numbers.

Every month, Jonna Masek, controller for M&S Construction, Lincoln, Neb., user of software from WennSoft, New Berlin, Wis., runs cost vs. estimate reports. "We have to keep everything separate. Each house in a development gets its own job number. We need to know how each specific job is doing and the actual cost vs. the estimated cost," she says. Since switching to WennSoft, running reports is much easier and her numbers are more accurate. "With DOS it took me 14 minutes to run one report," she says, "now it's a matter of seconds."

Percent-complete reports don't just help you make decisions or keep track of your costs, they help you stay in business. "If you tell the bonding company that you're going to make $1 million and you only make $500,000, then they won't trust you, and you won't have bonding, and you don't have a business," says Lewis.

Visible Orders
Change orders continue to be a concern for many companies—how do you track them and make sure you get paid for them. Your software can and should help you track change orders. Dexter + Chaney came up with a solution three years ago. Using Forefront, it allows users to make distinctions between change requests and change orders and track them in various stages throughout the job.

"We can log a pending change request, and any documentation can be scanned in and attached to that request," says Adam Pinsky, CFO of SME Inc., Seattle, Wash., and user of Dexter + Chaney's Forefront. "All those pending change requests are visible. When we get a change order, we match change requests to actual change orders so we can make sure we don't lose them."

Pinsky has benefited from this tracking on several occasions. "Once, we started with a $25,000 job that ended up at $1 million. We had a lot of changes. When we went back through the pending change requests after the job was done, we found a $5,000 pending change request that didn't go through. If we didn't have this tracking, we wouldn't have found it."

When it comes to change orders, you need to know how it will affect your costs and how much you need to charge your client. "You can lose track of change orders and who they're suppose to go to," says Jim Wenninger, owner and president of WennSoft.

"Some are in limbo, and you don't usually realize you have that many. A lot of change orders fall through the cracks because it comes down to time and priorities. It's the little ones for $200 or $500 that get forgotten."

According to John Kinney, controller for Charles A. Gaetano Construction Corp., Utica, N.Y., and user of Shaker Computer software, change orders represent dollars out until they come in—which means you're in a deficit.

"Controlling change orders at the owner level is one of our problems. Where do we stand? What did we actually perform? How can we better control change orders?" Kinney will implement a change order control under Shaker with the company's next project.

Document Imaging
We all dream of a paperless world—no filing, and documents at the click of the mouse. But in construction, it's not just about less paper, it's about more timely numbers and a more accurate financial picture. Waiting for invoices to be approved so they can be put into the system can take days or even weeks. If you're waiting for FedEx to deliver your approved invoices, then you're waiting to update your job cost report. Using document imaging, invoices can be scanned in so they immediately become part of the accounting software. The invoices are then approved electronically, and you can see the invoice right on your screen. All invoices could be within the system in 24 hours, which give them visibility, and the project manager can use those numbers immediately.

Pinsky uses document imaging, saving him time and a whole person. "The amount of paper coming into this office is staggering, and it would all need to be filed. I saved basically a person because I considered hiring a person just to file. I opted for document imaging. The module has paid for itself 10 times over. It's one of the easiest transitions we ever did. We started with invoices to see how it would go. People were leery about throwing away paper. So I let them keep the invoices they scanned in a box for a month to make them feel more comfortable. After 30 days, no one ever had to go back in their box. In our growth from $5 million to $15 million we added only one administrative person, and I attribute that to software doing the things we want it to do."

It may seem scary to throw away paper, but you don't have to do everything at once. Matthews suggests doing a pilot project. "Start with invoices. See how well it works and then add on. Maybe do time cards next, then change orders, then RFIs. Understand what it can do for you, that's the first step. Then build a success story. Start with some projects and show what it can do. Make it real for people," he says.

Know your labor and subcontractors. Construction is a labor intensive business, and you have to know more about your employees than the hours they worked—the job is filled with potential danger and risks. Controlling those risks and managing them is important. Software can help you track training, certificates, worker's compensation, drug testing, and more.

Pam Hicks, accounts manager for Buffington Homes, tracks her worker's compensation and certificates on Master Builder. She used to have to track it manually. "I would keep all the information in a book and spend two to three weeks calling insurance companies and subcontractors if I didn't have proof," says Hicks.

She's also been able to save the company thousands of dollars for its worker's compensation and general liability insurance. "We used to do monthly reporting and base it on the highest cost code and pay the premium on that," she says. "Now I can break it down by cost code and worker's compensation code. When I input it, the program gives me the correct pricing."

Leslie Shiner, senior advisor for Intuit Master Builder, agrees tracking this information is essential. "Our goal is to make it important to everyone. Not only does the system perform accounting tasks, it stops you from having huge penalties and fees."

Build Relationships

Finally, make a relationship with your software company. Master Builder uses pro advisors to build relationships with its customers. The pro advisors help the customer get the software implemented and helps to teach the basics, but he or she also helps the user understand how to learn more about the software to increase profitability and better manage their business. "We're trying to be in contact, communicate, and partner with the customer," Shiner says.

User conferences can also be beneficial. Not only will you learn about new features, the latest versions, and upcoming changes, you'll also be able to give the software company your feedback and communicate your needs. And you'll be able to talk with other users to learn what works for them and how they're using the software.

"The user conference is great," says Pinsky. "That's where I was finally convinced to do document imaging. I wanted to do it, but it's very expensive, and I wasn't sure I was going to get my investment back. I talked to someone else using it and took a class on it."

Penta works to have a multitiered dialogue with its customers—at the executive level down to the day-to-day users. "We want to know what your key business strategies are and how you are dealing with market conditions and how those conditions have affected your business," says Koenig. "We take feedback and incorporate it into our project strategy. We put people on site with you."