VIEWPOINT

SUCCESSFUL PROJECT MANAGEMENT

GETTING A HANDLE ON WORK IN PROGRESS

Construction project management and accounting teams need real-time views into the status of projects as well as overall profitability to avoid costly mistakes and delays. Increased efficiency is a critical way contractors of all sizes can make sure projects are successful. Large construction projects typically take 20 percent longer than scheduled to finish and come in at 80 percent over budget. As companies work to be more efficient, a key driver of that success is work in progress (WIP) tracking.

Accurate WIP reports help contractors manage the progress of jobs, costs incurred to date and how much has been billed. Because many contractors invoice early, projects can run out of billing as they near the punch list phase or completion. Inaccurate or incomplete WIP reports can lead to significant discrepancies in costs versus budget at the end of projects, causing cash flow problems.

Compiling this information across departments, including field and office, is a crucial way for contractors to become more efficient and generate an accurate picture of their business.

WHERE CONTRACTORS HAVE ISSUES

Construction companies continue to deal with cumbersome and time-consuming workflows. According to the 2017 Construction Technology Report by JBKnowledge, 59 percent of workflows in accounting and 46 percent in project management rely on spreadsheets. This opens the door for errors in data entry and duplication of efforts across departments as information is entered in multiple locations.

Entry mistakes can be compounded when creating WIP reports that track multiple projects or involve team members across departments.

Getting information from the field team to office personnel quickly and accurately cuts down on financial reporting mistakes and helps firms better allocate resources.

Precise WIP reports help manage cash flow and profitability by giving a clear picture of income as well as the state of projects. It can also be an early indicator if a project is heading over budget. While aggressive upfront billing can help with cash flow, it can skew the picture of how the job is actually progressing. Tracking each project via WIP can help correct this and generate accurate reports on the balance sheet and income statement.

TIPS FOR CREATING
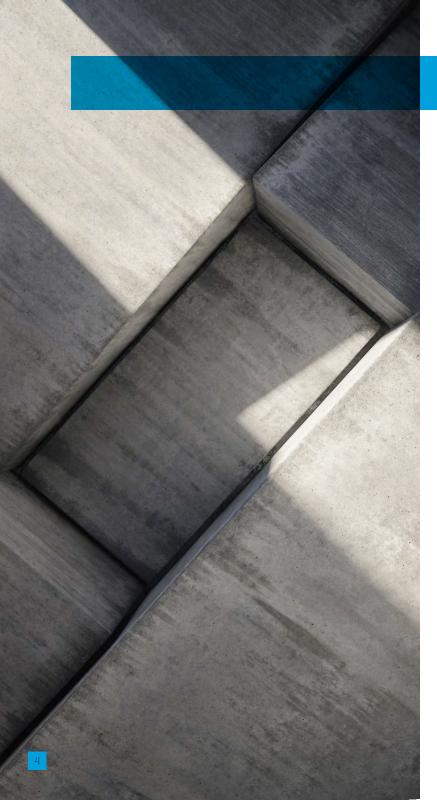# ACCURATE WIP REPORTS

Investing in an integrated accounting software system that connects field, team and office and standardizes entries is a critical first step for realizing accurate WIP reports. Streamlining information from the field such as actual costs, progress made and contract information can help the accounting and project management teams generate accurate reports, reducing or eliminating their reliance on spreadsheets.

Another critical part of the WIP process is correctly reflecting the amount of work completed on a project. For example, many labor-heavy firms base the percentage of work completed on actual work done in the field instead of hours used or labor costs. Tracking WIP based on work completed versus work remaining can provide an early warning that job productivity is slipping and is in danger of running over budget.

Other methods for determining WIP include:

- **COMPARING UNITS COMPLETED WITH THE PERCENTAGE OF THE BUDGET SPENT:** This can pinpoint if there is a potential for cost overruns.

- **PERCENT COMPLETED ESTIMATE:** This should be used when more precise measures aren't available.

- **COST TO FINISH:** This would include labor, materials and other items needed to complete a job.

It's also important to have the right processes and technology in place to facilitate timely and accurate job cost and progress information flow from the field to the office. That includes clear communication across teams, especially between project managers and finance staff. Records should be reviewed for accuracy on an ongoing basis.

WHAT TO LOOK FOR IN TECHNOLOGY

Deciding how to invest in technology is another important point for construction companies. According to the 2017 Construction Technology Report, 46 percent of construction firms spent less than 1 percent of annual sales volume on information technology. That small spend indicates that many companies have some catching up to do in terms of technology investment.
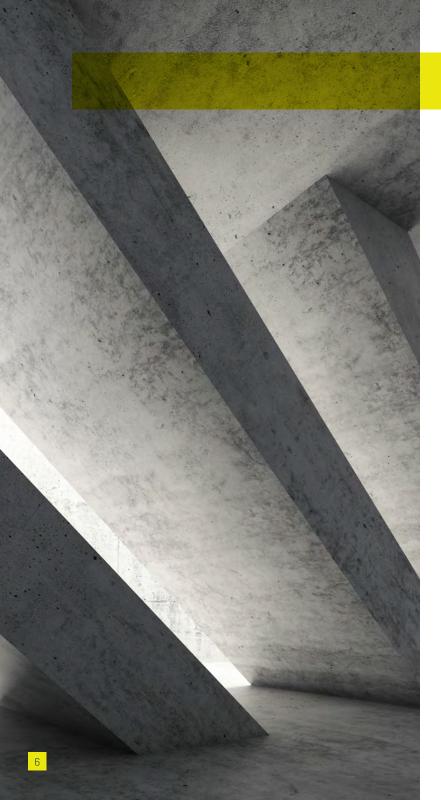
When considering how to allocate dollars, there are important keys to keep in mind, especially when purchasing systems that span field, team and office functions.

Look for technology that is:

- **EASY TO INTEGRATE:** Choose accounting software or an integrated ERP platform with the right tools to easily measure and analyze WIP. That means it should be easy to integrate with current systems across field, team and office, reducing duplicate data entry and the use of spreadsheets.

- **MOBILE ENABLED:** Make sure tools are easy to use via mobile devices in the field. This allows accurate, relevant data to be captured across the entire project, often in real time. Software that is not compatible with today's mobile devices or difficult to use will suffer from poor or slow adoption among staff.

- **CLOUD-BASED:** This allows for anywhere, anytime access for immediate data capture and analysis. With everyone able to access information, errors are mitigated. Cloud solutions also reduce the need for managing large pieces of technology, helping save money that can be utilized for other technology investments.

WHAT TO LOOK FOR IN TECHNOLOGY

- **TAILORED TO CONSTRUCTION INDUSTRY:** Construction-specific technology eases transition time and reduces redundant, time-consuming data entry. Look for systems that automate tasks specifically for construction jobs such as purchase orders, estimates, change orders, accounts payable per job and payroll.

- **CUSTOMIZABLE:** Find a system that can be easily customized to fit specific needs. This will help staff more quickly adopt new technology.

- **EASY TO USE:** Look for solutions that make it easy to create and share reports, including the use of dashboards and other monitoring tools to speed adoption and ensure information is always accurate. If the interface and navigation of software and apps is clunky or requires extra steps, odds are not everyone will use it.

- **SCALABLE:** Look for robust software that can offer detailed project-level reports as well as big-picture reports for all projects and with forecasting capabilities. It should be scalable to easily adapt to future technologies and easy to update when technologies do ultimately change.

CONCLUSION

Producing accurate, timely WIP reports that take information from the field and use it across departments can help companies better manage cash flow, understand profitability of jobs and smooth financial reporting. Since WIP is required, having this information in near real time can help companies find and fix profitability problems before they balloon.

If produced accurately, WIP reports can also be strategic tools for contractors. Over time these reports can help spot profitability trends, analyze over- and under-billings and monitor workflows. It's imperative to have systems that take information from the field to the office seamlessly and accurately, reducing data entry errors and redundancy.

Having a clear understanding of resources and how they're allocated can help companies improve job performance and boost their bottom line. Companies with integrated technology that standardizes workflows across systems and reporting have significantly better insight into their real-time financials, improved data to work with and are able to be smarter in strategic planning.

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ABOUT VIEWPOINT

Viewpoint is the leading global provider of integrated software solutions for the construction industry. We are trusted by nearly 8,000 customers to connect their office, team and field operations, improving project profitability, enhancing productivity, and effectively collaborating across the broad construction ecosystem. Please contact us today for an assessment of how we can help transform your business operations for the better through broader technology use and adoption.