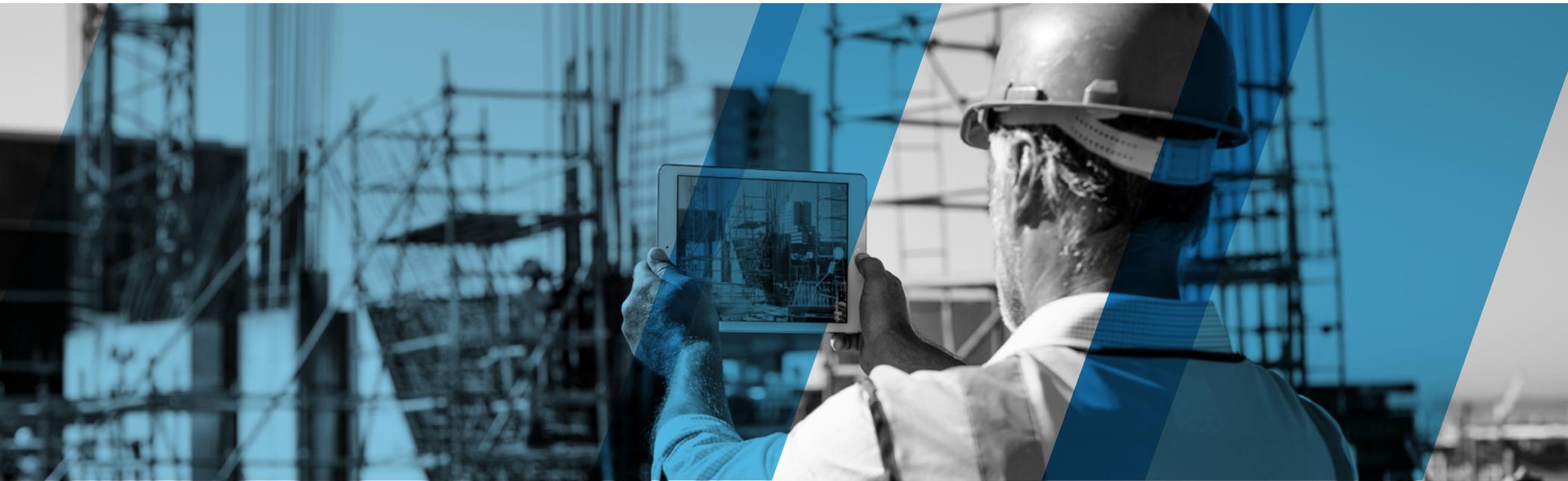




The Cost of Doing Nothing

5 Reasons to Upgrade your
Construction Software





In 2011, Encore Electric reached the breaking point with its outdated ERP system. The Lakewood, Colo.-based company had quickly grown to 800 employees and \$15 million in sales, but the decades old, DOS-based system it used to manage its business and operations was holding it back. Because access to the system and core functionality was limited to the accounting department, project managers had to request reports when needed. Reams of spreadsheets had to then be printed or emailed—eventually. With no time for that kind of bottleneck, project managers were keeping their own accounts and no one really knew where projects stood.

“It was crazy,” recalls Jeff Cann, the firm’s chief strategist and CIO. “Different people had different versions of the truth, depending who you talked to. We needed a central repository that could help us understand a single version of information.”

Fortunately, Encore’s leadership recognized the importance of investing in new technology and made a crucial decision. They updated to a state-of-the-art, cloud-based, fully-integrated ERP system designed specifically for contractors that finally ensured the office and the field were working from the same information.

And that investment has paid off. In 2016, the company reported a record year in shareholder returns—double the typical figure. “I’m convinced that our system was one of the reasons that we were able to retain more margins,” says Ross Finch, the firm’s operations development manager. “It would have been so painful to have gone through that extreme growth with the old system.”

But many small- and medium-sized contractors are still going through that pain with outdated ERP systems, or no systems at all. These contractors are often operating under the mistaken belief that “doing things the way we’ve always done them” is good enough. With business brisk, they also may wonder how they could take the time and effort required to implement a new system. Finally, many of these same contractors believe they are too small to afford a new ERP system.

“It’s like trying to change the engine on a car while you’re driving in the Daytona 500,” explains Gregg Schoppman, principal at FMI Corporation.



“It would have been so painful to have gone through that extreme growth with the old system.”

Ross Finch, the firm’s operations development manager



The Disadvantages of Technology Complacency



Those who choose not to implement an integrated, cloud-based construction ERP solution are operating at a business disadvantage in several crucial ways

But daunting as that change may be, the cost of doing nothing is higher than many realize. In fact, those who choose not to implement an integrated, cloud-based construction ERP solution are operating at a business disadvantage in several crucial ways, according to a 2017 report from the Aberdeen Group, a respected market intelligence company that captures and analyzes behavior across hundreds of B2B sectors. The Aberdeen Group's report, called "The Cost of Doing Nothing: Why You Can't Afford to Sit on an ERP Software Decision," found the following disadvantages associated with lack of an ERP system and the percentage of contractors reporting them:

- 35% redundant data
- 33% business systems can't interact with each other
- 28% system can't track business processes
- 23% difficult to share data outside of the organization
- 23% lack of collaboration capabilities
- 23% inaccurate data

Meanwhile, contractors face consistent challenges in today's business environment, according to another 2017 study conducted for construction management software provider Viewpoint from Hobson & Company called "Driving ROI: The Case for a Proven Construction Management Solution." Hobson & Company creates ROI and TCO sales tools and processes that help technology vendors qualify prospects, close more deals, increase average deal size, and defend pricing across a wide range of industry sectors including construction. The Hobson study found the following challenges holding contractors back:

◆ **Inefficient and time-consuming processes.**

Disparate systems and antiquated processes, with inefficiencies resulting across processes and workflows. Office and field staff often duplicate efforts and rely on a high degree of manual processes and a reliance on workarounds to make up for a lack of system availability.

◆ **Disconnected teams.**

There are so many stakeholders within pre-construction and construction—not just internally with the office and field but also externally with various key team members, such as the owner, architect, contractors, etc. Collaboration is unfortunately a daunting and time-consuming endeavor.





Construction is an ultra-competitive industry and contractors typically have very thin profit margins. A mistake in estimating, project management or communication can result in months of work with no profit to show for it.

◆ **Lack of data and visibility.**

Disparate systems, disconnected teams and a reliance on ineffective processes means that real-time and accurate data is very difficult to come by—if at all. This makes managing to maximize performance at both the project and company level nearly impossible.

◆ **Highly-competitive environment.**

Construction is an ultra-competitive industry and contractors typically have very thin profit margins. A mistake in estimating, project management or communication can result in months of work with no profit to show for it. Additionally, a firm's reputation is crucial for future success, so companies are pressured to deliver on time and on budget. With tight margins and raised customer expectations, this is increasingly difficult to do.

The ROI on ERPs

An integrated construction ERP system addresses all of these challenges—and the ROI happens faster than many contractors may expect. In fact, the Hobson & Co. study concluded that annual benefits from a modern, integrated ERP system exceed \$1.3 million for a firm with \$10 million in annual revenue, a 5% gross margin and 20 projects each year. It also showed that a positive return on investment in an ERP—about \$290,000—can be realized in a little more than eight months.

Experts say that's because updating an ERP leads to several beneficial outcomes, allowing contractors to:

◆ **Compete with the big guys:**

Most larger firms are already using the latest ERP technology, which makes it hard to compete against them. "When you're still building with sticks and twigs and your competition is able to build a better mousetrap, that speaks volumes," says Schoppman. "We're always trying to get 1% better or 5% better. Well you're not going to get there using the same methods, so you're going to have to leverage better technology."

◆ **Save time:**

Outdated technology creates redundancies and inefficiencies. "With older ERP systems, a lot of times workers develop extra processes and create work to make sure it works," says Geoffrey Falk, senior product manager for Viewpoint's Spectrum ERP solution. "With modern software those things don't go wrong."



◆ **Act more strategically.**

Without insight into key business data, firms are constantly in reactive mode rather than proactive. This pattern makes it difficult to increase productivity or profits. “New ERP systems go far beyond what traditionally can be captured and tracked,” says Gary Gilmore, senior product manager, specializing in accounting for Viewpoint’s Vista ERP solution. “Not only can they help with real-time decision making, but we’re also getting to a point where a contractor no longer has to wait for a significant event. It can be predicted.”

◆ **Get out of IT.**

With a cloud-based ERP system, updates are automatic and integration is built in, leaving your IT staff to focus on strategy rather than patching. “Their domain expertise is in construction, not in IT. So, construction companies quickly come to the realization that they either have to invest in a full IT department or get out of that and turn it over to a hosting provider,” says Gilmore, referring to cloud-based ERP systems.

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*Gregg Schoppman,
principal at FMI Corporation.*

5 Key Benefits of Upgrading Your Construction ERP

Here are five more ways an updated construction ERP system helps grow business—and the ROI of each improvement.



01

A single source of truth across entire project teams.

Without an updated ERP system, the office and the field are often disconnected entities that don't share information. This leads to redundant processes and an inability to properly plan and execute across project teams—internally and externally—with one source of truth.

But with an integrated ERP system, the Hobson & Co. study shows contractors can:

- ◆ **Reduce time spent** creating and analyzing cost reports by 60% with visibility into real-time job cost information that represents a single source of truth.

- ◆ **Reduce time spent** capturing and managing field time and product unit entries by 50% with mobile field capture of time labor and equipment time including job productions data and signature capture.
- ◆ **Reduce compliance risk and liability exposure** by 10% through real-time access to data, digital document management and improved collaboration tools.

“The way it is now, the project managers don't want to talk to the accounting folks, so the PMs make their own version of the data,” Falk says. “Accounting doesn't trust PM, so you have duplicate data entries and lots of silos and nobody talks.”



02 Improve cash flow.

“Modern ERP systems improve cash flow with automated payment processes, which allows companies to expand their business beyond what they could because they’re constricted by cash flow.”

Gary Gilmore, senior product manager for Viewpoint’s Vista ERP solution

Without an updated ERP system, contractors often use inefficient ways to bill and track expenses. As a result, cash flow suffers, which in turn, limits the firm’s ability to grow. For example, the number of days that sales are outstanding for contracting firms that are still doing things the old way is almost 43 days versus just 33 days for those that have updated their ERP, according to the Aberdeen Group study.

But with an updated ERP system the Hobson & Co. study shows:

- ◆ **50% reduction** in time spent tracking and managing unapproved AP invoices along with billing creation, tracking and management. This ROI is accomplished through digitizing and automating AP invoice routing, providing a centralized location for all unapproved invoices.

- ◆ **50% reduction** in time spent on billing creation, tracking and management through tracking of all job cost details for reconciliation and pre-billing.
- ◆ **30% reduction** in post-completion rework through GPS and annotatable photos along with digitized historical documentation and audit control.

“Cash is certainly king in construction. And it takes a lot of cash to run their business,” says Gilmore. “Modern ERP systems improve cash flow with automated payment processes, which allows companies to expand their business beyond what they could because they’re constricted by cash flow.”



03 Support emerging technology and scale for the future.

“Construction in general is the second lowest industry as far as the adoption of technology, just ahead of agriculture. Even larger clients are stagnated. It’s almost like analysis paralysis.”

Scott Rosenbloom, vice president of product strategy for Viewpoint’s Spectrum solution

E-commerce, social media and mobile access are all emerging technologies crucial to today’s contractors who want to future-proof their business. But without an updated ERP system, many contractors find themselves unable to capitalize on these vital business tools.

The Aberdeen Group study shows the downside of inaction when it comes to emerging technology:

- ◆ **56%** of those who decided to update their ERP software have access to the system from mobile devices vs. 20% who had made no decision.
- ◆ **54%** of those with an updated ERP had ecommerce integrated into order management vs. 27% that made no ERP decision.
- ◆ **36%** of those with an updated ERP had social business capabilities—activity streams, annotations, wikis etc.—integration vs. 7% with no decision.

“Construction in general is the second lowest industry as far as the adoption of technology, just ahead of agriculture,” says Scott Rosenbloom, vice president of product strategy for Viewpoint’s Spectrum solution. “Even larger clients are stagnated. It’s almost like analysis paralysis.”



04 Grow Profits.

“With a modern ERP system, you can immediately see profit fade, so you can be proactive rather than reactive.”

Geoffrey Falk, senior product manager for Viewpoint’s Spectrum ERP solution

Many contractors find themselves busier than ever, yet their profit margins remain painfully low. That’s often because these contractors aren’t working as efficiently as they can due to outdated systems and lack of visibility into key data. As a result, they’re often reacting to situations rather than strategically acting on information.

The Hobson & Co. study shows how implementing a modern, integrated ERP system helps contractors grow profits:

- ◆ **70%** reduction in printing and mailing costs through digitization of accounting and payroll documentation including invoices, payroll and change orders.

- ◆ **100%** reduction in redundant applications by having one streamlined system using the same data across entire project teams.
- ◆ **3%** increase in revenue thanks to timely field information that improves estimating and pipeline management.
- ◆ **0.75** percent increase in gross profit margins due to real-time and accurate reporting along with daily KPI evaluation.

“Just look at change orders,” says Falk. “Contractors without an integrated ERP are leaving money on the table because you say, ‘Sure, we’ll do that.’ And then in the firefight you forget to do the change order. With a modern ERP system, you can immediately see profit fade, so you can be proactive rather than reactive.”



05 Optimize labor and equipment.

Labor and equipment are two of the largest cost centers for contractors—and represent some of the largest risks. Using an updated ERP system optimizes both with streamlined paperwork and insight into how best to utilize these assets. The systems also help contractors ensure their workforce is compliant with prevailing wage laws, licensing and bonding—and avoid penalties for non-compliance. At the same time, using the latest technology is a proven way to attract and maintain your best workers, especially millennials.

The Hobson & Co. study shows several improvements an updated ERP offers:

- ◆ **1% reduction** in material and equipment costs thanks to better negotiated pricing/discounts from improved invoice processing and cash flow.
- ◆ **50% reduction** in time spent on field time and production unit entries. This improvement is thanks to mobile field capture of labor and equipment time including job production data and signature capture, which are routed automatically for review and approval.
- ◆ **35% reduction** in time spent on subcontractor compliance. Vital documentation such as workers comp, liability insurance, safety affidavits and certified payroll transcripts can easily be tracked with an updated ERP system.

- ◆ **75% reduction** in time spent tracking and managing safety. Updated ERP systems can capture safety incident information at the source via mobile devices including pictures, witness statements and employee signatures. Customizable forms and automated processes ensure complete and accurate information is gathered and distributed.
- ◆ **30% reduction** in project delays due to accelerated field observations along with the capture of GPS coordinates and photos.

“You can capture, measure and track information about employees and assets to a much finer degree in real time than you could before,” says Gilmore. “Knowing where employees and equipment are, how they’re being deployed and whether they’re being used productively — that kind of stuff really demands technology to keep up with it.”



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*Gary Gilmore, senior product manager for
Viewpoint’s Vista ERP solution*

What's Your Decision?

Today's integrated, cloud-based construction ERP systems give unprecedented insight and visibility into key business data that lead to better efficiency and profits. Recent studies show the cost of doing nothing or staying with an outdated system is higher than many contractors realize—and will only increase as more competitors update their technology, leaving others further behind.

"When it comes to the question of whether to update ERP systems, no decision is actually a decision," says Rosenbloom. "Kicking it down the road puts contractors at a disadvantage in the industry. They need to understand that they can't really afford to put this off."

What do the best construction ERP systems offer?

- ◆ Suite of connected software solutions that connects the office, team and field.
- ◆ Cloud/browser-based delivery offering anywhere, anytime access to entire project team.
- ◆ Ability to be used on mobile devices including phones and tablets.
- ◆ Accounting, financial and office operations software for transaction processing and reporting.
- ◆ Collaborative communications and document control for the project team.
- ◆ Real-time field data capture and management.
- ◆ Paperless, secure, fast, and collaborative document management.
- ◆ Intuitive templates and customizable workflows for income statements, balance sheets, safety incident reports, compliance documents.
- ◆ Customizable systems with the ability to integrate other applications.
- ◆ Ease of use for end users—intuitive menus, simple processes, easy-to-understand dashboards and reports.
- ◆ Automated processes and workflows throughout.



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