



## The Power of Information Technology

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### **An integrated financial/project management system enables electrical contractors to manage growth, diversify, and streamline operations**

Electrical contractors today face an increasingly challenging business environment, with tight margins, skilled staff shortages, and administrative demands that can bog down even the best of operations. Although companies have made considerable progress in computerizing some financial and project management operations, only a few have taken the leap to a fully integrated, enterprise-based information management system that comprises comprehensive financial and project management capabilities. Such a step can go a long way toward streamlining operations and paving the way for sustainable growth.

Over time, many contractors have developed or purchased a number of independent systems and applications — a financial system from one vendor, a home-grown or third-party project management system from another, and perhaps a service management system from a third source — none of which are integrated with one another. The story is all too common: Financial applications are running fairly well, but too many staff members are spending too much time entering information in multiple systems, reconciling the differences, and correcting errors. Let's take a look at how an integrated software system can help with these issues.



### **Managing growth**

An integrated system offers many advantages by bringing together numerous financial and project management applications. Core financial applications typically handle general ledger, accounts payable and receivable, purchasing, payroll, and human resources. Some systems also have sophisticated job-cost applications that enable an electrical contractor to track unit cost data by line item, including labor costs (fed by the payroll application) — daily, if desired.

The project management side of the system helps the electrical contractor manage its field operations. Submittals, drawing logs, meeting minutes, punch lists, and other document information can all be viewed, updated, and shared using this tool. It can also be used as a secure link among the project manager and outside team members, including architects, electrical engineers, and owners, as well as other trade contractors and suppliers. Because it is part of an integrated system, financial data easily flows back and forth without the need to re-enter data in multiple applications. If the system uses Web browser technology, then data and reports can be accessed by authorized users in any office as well as in the field.

For example, Parsons Electric, a Minneapolis-based electrical services firm, normally has about 200 active construction projects at any given time, many of which are large and complex. Parsons averages some 5,000 service-related work orders annually. The company has experienced enormous growth — from \$50 million in 1996 to a 2008 projection of close to \$200 million. Rapid growth has led to a scarcity of well-qualified candidates for an expanded field team, which requires Parsons' experienced project managers to manage more projects while maintaining a superior level of quality and cost control.

The need to avoid redundant, inefficient, and error-prone data entry was a significant criterion in Parsons' decision to implement an integrated system. The company has found that integration of job-cost and financial applications in a single system provides project managers, estimators, and the management team with accurate, real-time information about job-cost history, current status, and projections.

For many contractors, such as Commonwealth Electric, based in Lincoln, Neb., a job-cost application is one of the most critical components of such a system. Because it implemented an integrated system with job-cost capabilities, Commonwealth has found that production of job cost reports requires a fraction of the effort and time — about 20 minutes compared with more than 24 hours formerly.

In some systems, integrated document imaging and workflow applications help contractors overcome one of the biggest obstacles to efficiency — the time and effort required to manually approve and process invoices that must be matched to purchase orders and receipts, as well as other types of documents. Stand-alone imaging/workflow systems may cost upward of \$250,000, yet these applications may be included at no extra cost in an integrated system.

## Growing the service business

Another key factor in the decision to go with an integrated system is the ability to manage a growing service business. An electrical contractor can find a fully integrated solution that uses the same common inventory for projects and service, enabling it to effectively manage technicians and equipment, resulting in improved utilization and billing.

An integrated system with a service management component will track and manage the contractor's service work: contracts (managing projects and keeping customers well-informed of the status), service technicians (efficiently dispatching them to jobs), and inventory in the yard and fleet. The system then builds invoices using the information in the labor transactions, purchase orders, and work orders.

Along with a job-cost application, a service management component was an important criterion in the selection of a system for Tri-City Electrical Contractors, Inc., based in Altamonte Springs, Fla.

One of the largest electrical contractors in the Southeast with more than \$150 million in annual revenues, the company typically has between 200 and 250 active construction projects underway, self-performing 95%. At the same time, Tri-City manages a significant service business, annually completing \$15 million in this sector.

Before using an integrated system to handle its service work, Tri-City had an unbilled work backlog of at least 60 days, which could take up to three weeks to review before invoicing. After implementing an integrated system, the company eliminated the backlog — now it takes only seven days to review and bill the same types of invoices.

## Avoiding the implementation nightmare

Implementation of a new system and conversion of existing systems is always the most difficult part of any new system, because it disrupts normal business processes. Financial team members, in particular, have to do their regular jobs while training on the new system. However, the process need not be a nightmare.

If the vendor has a good conversion tool, then the process should be relatively straightforward for the contractor, allowing its team to take information from existing systems and move it to the integrated system — without losing history. If the vendor performs the validations and populates the new system, the contractor avoids a lot of the pain. With some vendors, implementation cost (including user training) is about the same as the software cost.

Buyer beware: Not all vendors provide this service. Instead, some will train the customer, who must manually enter the data into the new system from scratch — and the new system may only accommodate balance-forwards, not histories. One of the keys to success is a detailed implementation plan. Ideally, the process should comprise the following elements:

- A complete detailed project plan outlining the vendor's responsibilities and the customer's responsibilities.
- A project manager — one of the vendor's in-house experts, not a subcontractor — who manages the vendor's and customer's resources (financial, human) and ensures that implementation milestones are met.
- Assignments must be established for conversion of file layouts and documentation during setup and training.
- A team of trainers with experience in the contracting business (former accountants, controllers, CFOs).

At the end of the day, an integrated financial/project management system can enable an electrical contractor to manage a growing business, diversify, and streamline operations as never before.

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