ConstructionFinancials

Bringing Job Costing to the Field...

Where it Belongs

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Table of Contents

SOFTWARE-AS-A-SERVICE (SAAS) JOB COSTING SYSTEMS ARE AN INEVITABLE DEVELOPMENT AS CONSTRUCTION BUSINESSES OVERCOME THE DISCONNECTIONS INVOLVED WITH RUNNING MULTIPLE, GEOGRAPHICALLY DISPERSED PROJECTS.

In construction, we are often designing and constructing made-to-order assets, so there is immediately less certainty. We may be dealing with multiple projects for different people, with different schedules, and run by different project managers.

Each will be in a different location, with different site footprints, different ground conditions, different access routes, etc. And, partly influenced by their locations, we are often dealing with different suppliers––we might select local designers, subcontractors, plant, materials, and product suppliers based on their proximity to the site.

Field financial management will therefore need to be adapted for each project to reflect its nature, its timespan, location, supply chain, and personnel. And timely, consistent, and reliable reporting to the finance director will be even more of a challenge when a company is undertaking a diverse range of projects simultaneously.

When it comes to construction financial management, it may feel like we have to start with a clean (spread)sheet of paper. But, of course, the industry has

been able to develop standardized approaches to cost control and financial reporting.

While reflecting commercial accounting norms, our most widely used accounting or enterprise resource planning (ERP) tools are often construction-specific: they reflect the transient, complex and project-based nature of our work, the diversity of suppliers that we work with, and the inevitability of change.

Bodies such as the US's Construction Standards Institute (CSI) have created industry standard classification systems so that we can break work down and use consistent terminology and codes across budgets, estimates, contracts, change orders, invoices, etc. As a result, project managers can get a very granular view on a line item by line item basis at cost code / cost category levels of detail.

I. What Financials Mean to Accountants vs Project Managers

ACCOUNTANTS WORK FROM THE OFFICE SUMMARIZING FINANCIAL TRANSACTIONS–– THE OPERATIVE WORD BEING SUMMARIZE.

They're meant to record and analyze financial transactions after they occur. They dwell in a realm of invoices, expense reports, payroll, quarterly profit and loss statements, audits, trend analysis, and other forecasting. Their biggest challenges lie in maintaining control over data, achieving full visibility into finances, getting access to accurate information, double entry, and standardizing input for trendable insights.

Job costing, on the other hand, is a daily task done in real time on the jobsite. Your boots on the ground field teams need mobile options for an accurate minute-by-

minute picture of where the project stands against the overall estimated project budget. Without it, project managers aren't able to spot issues and take corrective action before costs eat into profit margins. Their day to day involves managing the coordination of the schedule and budget, making daily financial decisions with financial repercussions, monthly job cost reports, and owner relationships. Their biggest challenge is getting real-time updates in the field while constantly on the move.

II. The Field/Office Divide

For a company finance director, getting a pan-project view of the financial position can be more difficult.

Traditional construction accounting/ERP applications are often back-office systems, installed on-premise, with little to no direct connection to field operations.

As a result, project reporting from individual projects will often involve monthly submissions of spreadsheets summarizing changes and resulting impacts on the projects' budgets––occasionally, major cost changes and/or delays may not be notified until 3-4 weeks after they occurred.

Such retrospective reporting, repeated across multiple projects, can mean major impacts on the business's cash flow and profit/loss may not be visible for some weeks, particularly if historic reports also need to be aggregated and re-entered (maybe with a little human error!) to give an accurate, consolidated view of the company's position at a board meeting.

In much the same way that mobile and web-based construction collaboration platforms have helped create single shared versions of the truth across our projects, SaaS job costing applications can help close, even eliminate, the field-to-back-office divide and the financial management gaps––both geographic and time-related––between individual sites and the boardroom.

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III. Real-Time Reporting

BY CAPTURING DAILY COST CHANGES IN A SAAS PLATFORM INSTEAD OF SPREADSHEETS AND EMAILS, PROJECT MANAGERS CAN QUICKLY GENERATE UP-TO-THE-MINUTE DASHBOARD VIEWS OF THE FINANCIAL HEALTH OF THEIR JOBS.

They can monitor the impacts of change against the budget and program (maybe also allowing action to be taken to improve the forecast position), and, importantly, share that information securely and in real-time with their finance director and other authorized colleagues.

At the head office, we are no longer summarizing past performance. Instead, real-time reporting across multiple jobs gives instant visibility of current project performance. It identifies unexpected variances (users can also "drill down" to examine the underlying details from the field), eliminates the data-entry and reporting time-lags and errors, provides better forecasts across all projects, and provides a basis for confident decision-making with respect to any "problem" jobs.

And SaaS job costing tools can also be used to make more strategic decisions––for example, the aggregated data can yield business intelligence about the customers or the supply chain partners who contribute to our most profitable jobs (and the ones who don't).

IV. The Impact of Real-Time Reporting

PROACTIVE VS REACTIVE BUDGETING.

By bringing job costing to the field and out of the office, project managers can account for potential costs as they occur. No more hassle of going to and from the office to enter in all of those changes at the end of the day. When project managers no longer have to wait on accounting for up-to-date financial data, they have the tools in hand to manage a dynamic, living budget.

ELIMINATE TIME-CONSUMING JOB COSTING REPORTS

With a proper field financials solution that offers custom reports and a configurable budget, project managers can generate the weekly or monthly reports they need with a click of a button, and provide key stakeholders with the insights they need to make informed business decisions.

REMOVE DUAL ENTRY

Empowering field teams to input financial data in real-time only makes an accountant's job easier. By integrating the field team's job costing solution with the office's accounting software, there is no need for double entry and the risks of inaccurate data input that go along with it. Instead of spending time inputting data, you can focus on balancing budgets.

IMPROVE COMPANY INSIGHTS

With a single solution that enables project managers to track costs more efficiently and generate job cost reports more quickly, accountants can have the confidence in data from the field to make reliable, data-driven forecasts that their CFO needs.

V. Leverage Financial Data to Boost Your Bottom Line

Tracking labor, materials, equipment, and all the other costs associated with a build results in a wealth of data.

Data can be used to track the company's capabilities and how quickly staff responds to change orders and other issues impacting budgets.

This level of knowledge allows project managers and superintendents to make faster decisions. Because information is always current, it also gives project managers the autonomy to make important decisions, which drive efficiency and accuracy with each project.

The efficiencies and accuracies that technology provides frees project managers from the extensive and time-consuming job costing tasks. Technology improves overall project management and promotes a company culture of accuracy and informed decision-making. It empowers project managers to be decision-makers and helps head off any issues on the jobsite, because they can better carry out their roles.

With the right technology in place, companies can leverage huge data sets to automate financial record-keeping and generate intelligent, actionable insights.

With a fully integrated construction operating system––where financial software like job costing and accounting share data––you'll get a clearer picture of how your company functions in real-time (providing you with live insights into how your margins are behaving).

You'll be able to spot important trends like input increases, how frequently you're losing out to avoidable change orders, how you're performing in different markets, and even how one subcontractor's productivity compares to that of another.

Today's the day to take that step forward. Review your company's data assets and make sure your software solutions do the heavy lifting and interpret data for you. In this data-driven world, your data is your currency. Can you really afford to ignore it?
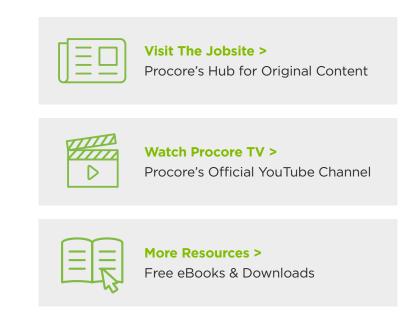
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