



A CPA's Advice on How to Manage the Construction Management Software Selection Process

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So you've decided to consider getting the proper financial accounting and reporting package for your construction business. It's a daunting task on the one hand and exciting on the other. The general idea is to bring into your organization a tool that will better allow you to understand what is making money, what is costing money, and to provide information allowing you and your in-house accounting team to keep up with the paperwork requirements that go along with being in the construction business.

Why would I suggest this process is daunting? You may have found yourself saying on more than one occasion, "I'm a contractor and I know how to build things. What do I know about [fill in the blank]?"

As a CPA, I have dozens of clients who are contractors. In fact my entire book of business is comprised of general contractors and subcontractors. I've heard something close to this sentiment expressed time and time again. The prospect of having to choose a general ledger/job cost package is one of those things that certainly elicits this sentiment.

I have one client, Bob Cutler - President of Southern California Grading in Irvine, CA, who did a great job one evening of addressing this issue. During his acceptance speech for an Executive of the Year Award given by the local chapter of the Construction Financial Management Association, he reflected on his decades of success as a grading contractor, saying, "Half of being smart is knowing what you are dumb at."

What a true statement! Unless you are an expert in financial reporting systems, it is probably best to consult with someone who either knows more about it than you or is connected in some way to those who are expert in that area.

How to decide which packages to review

So, how to select the best package? Building on Bob's quote, I firmly believe that it is imperative to have a strong team of outside business partners around you. Those partners include your CPA firm, surety broker, banker, and attorney. One suggestion is to speak with one or all of those outside partners.

Surety brokers deal with numerous contractors, and the best surety brokers make it their business to understand their clients' businesses. Your broker may be able to let you know what he/she sees throughout their client base in terms of software. Your CPA firm might specialize in the construction industry. If so, he/she may be an even better resource as they work closely with many CFOs/Controllers or Accounting Managers, and they may have a better feel for the different software packages out there.

Once your CPA or surety broker gives you some options in terms of what packages you might review, ask them for the names of some of their clients using those packages so you can speak directly with someone who uses the tool on a daily basis. During that conversation you can ask about the package's pros and cons:

- How flexible is the reporting?**
- How easy is it to enter data?**
- Does the package do what the contractor needs it to do?**
- Would they buy the package again today?**

The ability to speak to other contractors who are using these packages is invaluable because they have no financial interest in your purchasing the software they are using. Every time I connect my clients with one another, both sides come out feeling good about the ability to communicate about a business issue and help each other out.

Once you've narrowed down your search to a few select packages, you need to contact a company that sells them. Again, I recommend you work through whichever outside business partner seemed to have the most insight regarding what software is being used well in the industry today. Ask your CPA, surety broker, banker, etc. if they know any resellers of the packages you wish to review.

I've always believed it a benefit to get a referral to a reseller (or any vendor for that matter) from someone who works with many of that reseller's/vendor's potential customers. Think about it - if that software vendor doesn't keep you happy, you will certainly tell your CPA or Surety Broker (whoever referred that vendor to you).

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If that CPA/Surety Broker gets wind of a software vendor providing less than excellent service, what are the chances that CPA/Surety Broker will refer future business to that software vendor?

The software vendors know this and I've heard time and again from them that "they will be sure to take special care" of my client. They almost always do and they keep me in the loop, allowing me to provide assistance during the process to allow for the best possible outcome.

Managing the Software Demonstration Process

Every software salesperson has what I call "ABC Construction Company" - the dummy company on their computer used to demonstrate their software's abilities. That ABC Construction Company is a somewhat tired, irrelevant old company. It's tired in that the salesperson has most likely demonstrated his/her software using that company dozens, if not hundreds, of times, and he/she knows it by heart, often translating into a mundane demonstration. ABC Construction Company is irrelevant because it probably doesn't operate the same way as your company. You and your management team have reports that you've used effectively for years, and while those reports might be manually generated, the specific format and data work well for you.

My strong recommendation to my clients is that they schedule the software demonstrations at least four to six weeks in advance. At the same time they schedule those demonstrations, they should provide copies of all the management reports they wish to reproduce in the software package their company will eventually purchase. The four- to six-week lead time should allow ample time for the software salesperson to reproduce that report in their software package.

Too many times early in my career I observed sales people in action, assuring without evidence, "Sure, my software can reproduce that report." If you provide your reports well in advance and ask for them to incorporate those reports in their demonstration, you essentially mitigate the risk of salespeople making false representations.

The key to a successful demonstration is to be well prepared. Your management team should develop a program, more specifically a list of questions you wish to have answered and processes you wish to observe.

Does the software allow for seamless integration between estimating and the job cost software?

Can you drill down behind a number seamlessly or does it take other menus/screens to get to the answers you are looking for?

I have included a list of possible questions that you may wish to use as a starting point as a table/attachment at the end of this article. Using a standardized question list will enhance your "apples to apples" comparison of the different packages.

Another suggestion I make is to have a stack of your billings as well as invoices, payroll data, etc. and ask for the salesperson to enter them into their system. Your team should take note of

the ease of data entry, the number of keystrokes required to get data into the system, etc. In today's day and age, one should be looking for the ability to have data uploaded into the package with little to no keystrokes. Electronic delivery of data allows for uploading, after a batch review (you don't want data to be received into your general ledger/job cost package without the ability to first review that data), directly into your system.

Perceptions of Software in Construction

I decided to include a section regarding industry perceptions because as the old saying goes, "perception is reality." Over the years I've seen many a "small" contractor using Quickbooks, and this program has historically been associated with the "Mom and Pop" contractor. Financial people in the construction industry, bonding agents, surety bond underwriters, bankers, etc. tended to associate lesser quality, smaller contractors with Quickbooks, and I have sat in meetings with contractors and bond companies where this issue was raised as a concern in terms of the contractor obtaining the surety program they were seeking.

The fact is that Quickbooks has its place in the market. However, you must consider whether your business can successfully use Quickbooks to meet all of your information needs or if you require a more robust solution. Additionally it is always appropriate to consult with those who provide credit to your business, be it your banker or bonding agent, and ask what their opinions of your choices are.

Summary

The choice you make regarding your financial software package is one of the most important decisions regarding your business infrastructure. Another important decision is who you will have using that tool but that's a topic for a different time. Use all resources at your disposal, e.g. other contractors who perform work in the way you do, your outside business partners, and their clients. Keep in mind another old saying: "There is no such thing as perfect software."

The goal is to obtain the "best fit" for your business. That best fit is the one which will best allow you, your project management, and accounting staff to make use of the best information in the simplest format. Manage the process by thoroughly preparing your team and the salespeople for a successful demonstration. Be ready with a standard format of both questions and processes you want addressed and be sure to give those salespeople ample time to incorporate your company's reports into the software so you can spend less time with ABC Construction Company.

Also be aware that implementing the software is a sizeable undertaking and a job unto itself. You need to designate one project manager (vs. a committee) to be responsible for the successful planning and execution of the transition to the new software package. Be sure you have arranged the appropriate training and support. Proper training and commitment to learning about the functionality and how to extract the potential from the package are essential. Lastly, be excited once you have made the commitment to better the financial management of your business and use the information as a tool to improve your bottom line!