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HOW TO REDUCE THE BLOATED COSTS OF INFORMATION MANAGEMENT

Is Operational Overhead Eating Your Profits?

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HOW TO REDUCE THE BLOATED COSTS OF INFORMATION MANAGEMENT

Have you ever considered how much of your operational overhead cost is consumed by managing project information? Most organizations that engage in construction projects spend a disproportionate amount of time, money & resources on the capture, transfer, validation and re-entry of data. And then exhaust further resources on the effort of building reports, invoices and other documents to actually use that data.

On top of this, the common inaccuracies in the data that originate from, for example, the field – or are introduced through re-keying errors – are an additional time-and-cost sink on the project and company's overhead. These excessive costs & errors eat into profits, delay schedules – and are completely avoidable. To understand how, let's consider the problem a bit more closely.

Reactive Management of Information

To gather key project information for the purposes of cost, payroll, billing and HSE; construction companies have an obligation to capture this data directly from the jobsite on a daily basis. Often it's the case that this daily tracking is performed using paper timecards and spreadsheets – which are routed back to the office for admin staff to unravel for their various purposes.

'THESE EXCESSIVE COSTS & ERRORS EAT INTO PROFITS, DELAY SCHEDULES – AND ARE COMPLETELY AVOIDABLE.'

With numerous projects, many labor resources, heavy equipment, and a vast array of subcontractors – all feeding in their timecards & spreadsheets on a daily basis – a manual solution like this quickly becomes an overwhelming information management headache. Nevertheless, in order for the finance team to execute AR, AP and Payroll, finance has to process the data on a daily basis so that they can pay bills and invoice clients. To tackle the sheer volume of paper & files, it's common to bulk-up on the admin resources needed for this back-office function.

The primary challenge with this reactive approach is that it "shifts the burden of responsibility" downstream to the last guy holding the bag.

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And that person has to invest far too much time into fixing errors, chasing down project managers, filling-in blanks and figuring out whether a vendor invoice is valid or not. This creates an unnecessary amount of friction in data management.

'THE PRIMARY CHALLENGE WITH THIS REACTIVE APPROACH IS THAT IT "SHIFTS THE BURDEN OF RESPONSIBILITY" DOWNSTREAM TO THE LAST GUY HOLDING THE BAG'

Be Proactive

Major efficiency gains are achievable by leveraging collaborative project management and project tracking technology that enables the responsibility for valid and reusable information to be shifted upstream to those closest to the original entry of the data.

Why does that matter?

It's a simple equation of being proactive rather than reactive. Put another way, when you make a nominal shift in your total effort into better planning, you'll significantly reduce the effort required in clerical and administrative overhead. And not by just a trivial amount – the total cost reductions can easily amount to half your current overhead.

'WHEN YOU MAKE A NOMINAL SHIFT IN YOUR TOTAL EFFORT INTO BETTER PLANNING, YOU'LL SIGNIFICANTLY REDUCE THE EFFORT REQUIRED IN CLERICAL AND ADMINISTRATIVE OVERHEAD'

This is due to a large amount of automation you'll achieve through:

- Better Technology
- Better Planning
- A more even distribution of effort

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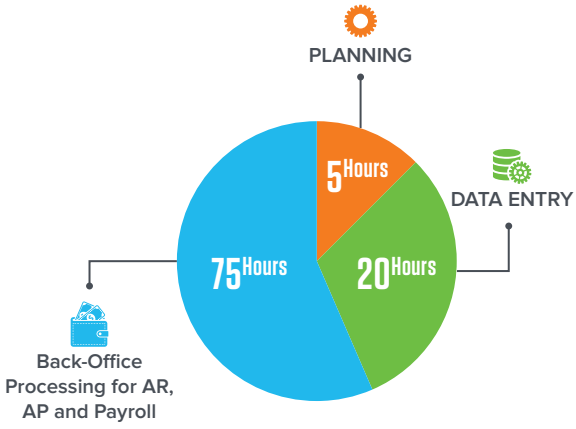
Better Planning & Tools Equals More Automation

Consider this simple example: Let's say the current time required to process 1,000 field entries is 100 hours. In the current manual and reactive policy, this effort is split out like this:

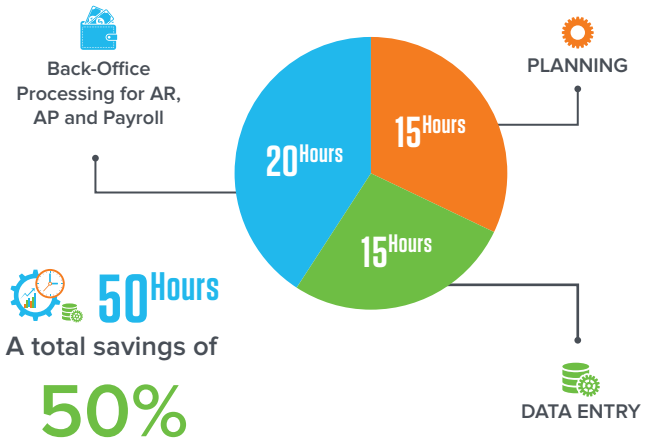
Using Reactive Processes



With such a small amount dedicated to planning, the bulk of the work is shifted to the back office.

If better technology and planning were to be adopted, this total outlay of time and cost would look like this:

Using Proactive Processes



Notice that in this example, you're tripling the amount of planning required, but by doing that, the reductions in data entry and back-office processing are immensely reduced. And of course, the total outlay of effort and cost is shrunk by half.

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The Mechanics of How This Time & Cost Savings Works

Step 1 – Break-down Silos and Integrate Teams

The first step, is to improve the knowledge transfer between existing silos in the organization. With a multi-user, collaborative software platform that connects departments & disciplines throughout project planning and execution – information is instantly shared at the moment it's entered into the system. This includes real-time data transfer from the Jobsite to the office and back. By eliminating both the delay in access, and the need to re-key data, information is entered once and reused many times by many teams for many purposes. This One-Touch-Data approach, dramatically reduces errors, miscommunications and eliminates the low-value overhead that goes into the effort of managing information.

'THIS ONE-TOUCH-DATA APPROACH, DRAMATICALLY REDUCES ERRORS, MISCOMMUNICATIONS AND ELIMINATES THE LOW-VALUE OVERHEAD THAT GOES INTO THE EFFORT OF MANAGING INFORMATION'

Teams also have access to a greater amount of data at the moment they need it, so are empowered to make more critical decisions.

Step 2 – Improve Data Quality from the Source

The next step, is to setup the environment for data capture so that high-quality information is being entered from the start. If this doesn't happen, then errors and gaps are just pushed onto someone elseto deal with. And, as demonstrated above, it takes that person exponentially longer to fix problems than it would have taken if errors hadn't happened in the first place.

This is accomplished by shifting more of the responsibility for quality data entry "upstream" – and in fact distribute the responsibility among the various members of the project team.

'THIS DISTRIBUTION OF EFFORT NOT ONLY REDUCES THE CHANCE OF ERRORS, IT ALSO REDUCES THE TIME REQUIRED IN THE FIELD TO CAPTURE THE DAILY COSTS, DOCUMENTS AND ACTIVITIES'

Again, by employing multi-user, collaborative technology, organizations can take advantage of a "Project Team" concept. Rather than just throwing the whole thing at the jobsite personnel to figure out, companies can enable project administrators back in the office to perform a great deal of setup and entry ahead of time on their behalf. In other words, by the time the site personnel are ready to capture the daily field information,

a good chunk of the work has already been done by the team in the office. This distribution of effort not only reduces the chance of errors, it also reduces the time required in the field to capture the daily costs, documents and activities.

The Project Management Team is the Hub

Accomplishing these cost reductions translates into a shift in thinking and a shift in strategy. The project management team has been given the overall responsibility for successfully completing the project on time and on budget; so all planning and execution needs to be coordinated through them. They are essentially the hub where all project information flows into and out of. They therefore have to be given the right tools and information to achieve this objective.

By investing in project management, companies can vastly reduce costs everywhere else on the project. The net effect is a significant cost reduction overall; which translates to more profitable, successful projects.

Let's Review the Benefits

Implementing a software platform for project budget and information management has a wide range of benefits. Let's have a look at some of them:

One-Touch Data – Accurate and Real-Time

Entering data once and allowing that data to be shared among the multi-discipline team on the project, is a fundamental leap forward in reducing overhead cost and improving project performance. A single labor data entry can be repurposed for:

Project Cost

That entry generates a cost which gives project management real-time visibility on budget versus actual cost, enabling them to take corrective action early.

Billing

Whether it's fixed-price or time & materials billing, having all the data in a centralized system severely streamlines the billing process. Especially when that data is error-free and complete.

Payroll

That same labor entry that produced cost and billable can also be routed for payroll. This also includes any reimbursable expenses.

HSE

That labor entry can also be repurposed for any safety, regulatory and union requirements.

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A multitude of project and corporate reporting

This entry is collected together with all other labor, equipment, materials, and other expenses that can appear on a wide variety of reports.

In comparing this with the extended time and cost of having multiple systems for tracking this data, the end result is a significant corporate advantage that delivers a tangible competitive edge.

'THE NET EFFECT IS A SIGNIFICANT COST REDUCTION OVERALL; WHICH TRANSLATES TO MORE PROFITABLE, SUCCESSFUL PROJECTS'

These tracking entries can all be synchronized with the accounting and payroll systems.

Tracking Vendor Costs, Activity and Accruals

A software platform can additionally track daily or weekly vendor costs – either as hourly transactions, or as lump-sum costs & quantities. This again centralizes all project cost, billings and, in this case, Accounts Payable information into the same system. Using this solution, AP personnel can perform a 3-way match or 2-way match against original incurred and committed amounts when vendors submit their invoices. This results in a significant time and cost savings – and ensures far greater accountability in invoice approvals.

Increasing Visibility on Status

Streamlining communications between all project stakeholders and, as a result, improving response time throughout the project, is one of the best ways to ensure accurate, repeatable, successful projects.

'THE END RESULT IS A SIGNIFICANT CORPORATE ADVANTAGE THAT DELIVERS A TANGIBLE COMPETITIVE EDGE'

Real-time access to reliable cost information can alert personnel to current and potential issues – allowing them to take corrective action early, so as to minimize any impact they may have.

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Let the Software do the Heavy Lifting

It's hard to justify paying a valued employee to perform redundant, repetitive and menial tasks that a software system can perform effortlessly in a few milliseconds. Your trained personnel should be spending their precious time and intellect on making key decisions, anticipating outcomes and managing the many-layered aspects of complex projects.

To take this further, it's much more than just the automation and tasking that systems can perform – some of the greatest value a company can realize from a software platform, is in the massive centralized repository on past, current and future projects that it houses.

'IT'S HARD TO JUSTIFY PAYING A VALUED EMPLOYEE TO PERFORM REDUNDANT, REPETITIVE AND MENIAL TASKS THAT A SOFTWARE SYSTEM CAN PERFORM EFFORTLESSLY IN A FEW MILLISECONDS'

The wealth of data on resources, vendors, materials, benchmarks, etc. that can deliver critical analysis on past performance, lessons learned, etc.

Be Lean and Profitable

Utilizing an integrated software solution enables you to free up your organization's resources by reducing the administrative drain on your overhead costs.

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Brought to you by the 4castplus team

4castplus is world-leading Project Cost Management, Procurement and Construction Management software. With its performance-driven features, 4castplus helps companies significantly improve project performance, visibility and team collaboration through a centralized and streamlined solution. Construction, Energy, and EPC organizations around the globe get better project results while enhancing their competitive edge, all at a low total cost of ownership.

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