



“...when it comes to construction, contractors should focus on hiring professionals who know and understand this highly complex industry.”

NO. 2: HIRE EXPERT CONSTRUCTION ADVISERS

Editor's Note: *This is the second article in an eight part series called “Better Next Year,” by Fred Ode, CEO, chairman and founder of Foundation Software.*

It's a common scenario among the small but growing, family-owned construction firm: In an effort to save money and closely monitor the business, an owner recruits relatives and friends to help with professional services such as accounting, tax and legal advice. Things run smoothly for a while. But as the business grows, the company soon requires more specialized skills than some of these advisers can provide. Somewhere along the way, the business outgrew their expertise.

Every business owner eventually learns this important lesson: You can't do everything yourself, nor can you rely on your spouse (or brother-in-law or friend) to handle the jobs that have outgrown them. There comes a

time when you need to hire people with the education and experience to help your business grow (even if it means letting go of Cousin Joe).

No one knows your business better than you. But hiring someone to do what you and your staff cannot, well, that's just about one of the smartest business decisions you will ever make. Not only can these experts handle certain duties much faster and more effectively, but they can allow you to focus on what you do best.

Construction-Focused Experts

When it comes to technical or highly-specialized areas such as accounting and law, these matters are best handled by outside experts. And when it comes to construction, contractors

Better Next Year— An Eight Part Series

1. Avoid Spreadsheet Dependency
- 2. Hire Expert Construction Advisers**
3. Understand and Use Management-Level Reports
4. Fine-Tune Project Management Reports
5. Improve Communication between Office and Field
6. Minimize Resistance to Change
7. Owner, Open Your Eyes
8. Commit to Ongoing Education

should focus on hiring professionals who know and understand this highly complex industry.

One of the most important consulting hires for any contractor is an outside construction CPA. Why? Because just as fast as the construction industry changes, so does construction accounting and financial

management. A construction-focused CPA is likely to know the current tax laws and complex reporting requirements that affect contractors. With a solid understanding of project-based, job-cost accounting, they are also able to offer sound financial advice to construction companies and help with such growth-related issues as depreciating equipment, adding city or state tax entities and succession planning.

In addition, your CPA is one of the key players, along with your banker and surety broker, to help with securing or increasing your surety bonding. Depending on your needs, some construction accountants also offer other business consulting services, such as job costing setup, software selection and implementation and human resource advice.

Likewise, contractors need the help of a good construction-specific attorney if they hope to grow. Because construction is primarily a contractual-based business, the typical contractor is exposed to more disputes, claims and lawsuits than the average business owner. Selecting the right attorney—perhaps one that can help implement policies to reduce risks and uncertainty—is therefore a very wise investment.

Upgrading Your Professional Partners

Are you still working with the same lawyer, accountant or even insurance agent that you hired when your business began? If so, it may be time to evaluate these key positions. The needs of a growing business are different from those of a startup, and your current advisers may no longer measure up.

Let's say you hired your neighbor, Joe (an attorney), for help with the documents and contracts needed to launch your new company

several years back, and your wife has been handling all bookkeeping and accounting tasks. Now, Joe's been a good and loyal friend and having your wife on the payroll certainly has its advantages, so you don't relish the thought of replacing either one.

But it's time to ask some tough questions. Is Joe the best person to give advice in matters of construction claims, dispute resolutions, contracts or any other legal issues unique to construction? Does your wife have the expertise or the time to fully manage and control not only accounts payables and receivables, but also payroll, job costing, bonding and cash flow projections? Does she understand the reporting methods, job costing systems and technology available to help you make good decisions and hold people accountable?

Meanwhile, maybe it's time to reconsider your commercial insurance agent. If you are her only construction client, chances are she may not be knowledgeable of all the risks involved in construction. For instance, does she recommend safety programs or specific solutions that will keep your liability insurance or workers' comp rates low?

Important financial and legal matters in the hands of the wrong people can be just as detrimental to your business as having no expert help at all. The key is to determine exactly what kind of help you need, and balance what you can afford with outsourcing those duties best left in the hands of professionals.

Choosing the Right Fit

Having access to construction-specific legal, accounting and other professional service expertise is essential to your business' long-term health. But it can also be expensive. So how do you know if you really are hiring an expert?

Referrals are the best way to find a professional service provider that's right for your company; other contractors are your best source. Talk to peers at association meetings, tradeshow or other industry events. Professionals are also good sources. Your banker might know of good construction-specific CPAs, or your CPA might have a lead on a good construction attorney.

Once you've identified potential professional advisers, interview your best prospects. Ask for lists of their construction clients, and be sure to shop around for quotes from several providers. Just as you would interview a potential employee, you should take note of the rapport, communication and other signs that this person will mesh well with the company culture and will understand your business goals.

If you truly want your construction company to become better next year, you must acknowledge that you can't do it all yourself. You also can't cut corners when it comes to hiring a team of professional advisers. Whether you need to let some people go or locate just the right partners, the process is sure to involve some tough decisions. But hey, no one ever said business is easy. ■

Fred Ode is the CEO/chairman of Foundation Software, developer of construction job cost accounting software called FOUNDATION for Windows. For further information on FOUNDATION for Windows, visit www.foundationsoft.com. Fred Ode can be reached directly by phone at 800.246.0800 or e-mail fred@foundationsoft.com.



Editor's Note: Looking for answers to your tech issues?

Send your construction-related technology questions to heyfred@foundationsoft.com.

Q: I've worked at the same construction company for the past twenty years since graduating from college. When I started here, the company had no historical data for job costing. I set up a good job costing system (first on Lotus 1-2-3 and now via Microsoft Excel). Everyone is dependent on these reports; they are the heart of the company and keep both the field and office on task and on budget. The problem is, the owner is convinced that we need to upgrade to a database system for job cost accounting. He was told we are missing information that we can't get through spreadsheets alone. My attitude is: If it's not broke, why fix it? What's your suggestion?

AI

A: It's commendable that you took the time to establish good job costing processes for your company. I'm sure that your reporting methods helped the company improve profits and productivity over the years. Today, however, there is a better way.

Here are a few things you need to consider:

- ▶ While your spreadsheet reports may contain valuable job data, you are undoubtedly spending a lot of time preparing them. Aside from job cost reporting, there are many other areas that suffer from inefficiency. For example, are you aware that a good construction accounting software package will automatically feed your labor



- dollars (wages plus burden costs) into job costing, general ledger, etc., which you currently do by hand?
- ▶ Many of the accounting tasks you now do in spreadsheets (payroll, billings, accounts receivables) would automatically happen in an integrated job cost accounting system. Information is collected once, flows to appropriate modules and is available for up-to-date reporting.
- ▶ Most good job cost accounting programs include hundreds of standard reports and customizable report writers, which allow you to recreate your must-have spreadsheet reports or create new ones on-the-fly, without re-entering data.

- ▶ The time you could save from manually entering data into spreadsheets could be better spent analyzing data or on other high-level activities.

AI, you owe it to your boss to consider newer technology that can greatly improve job cost reporting as well as the management of the business. I'm telling you straight: Your methods may not look broken, but they need fixing! Don't continue to hold your company hostage to outdated spreadsheets simply because you are unwilling to change. ■

Disclaimer: Technically Speaking reserves the right to change names and edit questions for privacy, length, and readability issues.