



AVOID SPREADSHEET DEPENDENCY

BY FRED ODE

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We have all learned at one point or another that too much of a good thing can be a bad thing. The examples abound: birthday cake, direct sunlight, spreadsheets. For many small contractors, spreadsheets are the first and ultimate technological solution needed to get their companies up and running quickly. Certainly, they can be used to create and track job estimates, billings, payroll, job costs, financial statements and more. As a company grows, however, so do those spreadsheets and so does the amount of time required to maintain them all. Contractors intend on taking the steps needed for long-term success need to take a long, hard look at their spreadsheet use. Like any business tool, spreadsheets excel at specific functions but should not be used for every imaginable purpose just because they provide the most immediate solution.

RECOGNIZING SPREADSHEET DEPENDENCY

In business, there are always painful processes that scream inefficiency, and owners will generally waste no time seeking solutions to these in-your-face problems. But over-reliance on spreadsheets is usually more subtle; it sneaks up on you over time as your repertoire of spreadsheets gradually grows and grows and increasingly more of your day becomes devoted to them. In construction, the scenario generally goes something like this: The small contractor uses spreadsheets for estimating jobs and invoicing clients. Because spreadsheets are flexible and easy to use, the contractor creates more worksheets to analyze job costs as needs arise. Soon, however, the contractor will have created “islands” of data that cannot be linked. He ends up spending much more time building and maintaining the spreadsheets than analyzing the figures themselves. And as the volume of data grows, it takes longer and longer to maintain the spreadsheets, and reports—or billings or payroll—fall behind. Soon the numbers are outdated, possibly contradicting between different data islands, and the owner no longer has a clear picture of the company’s financials.



In its day, spreadsheet technology was leaps ahead of manual methods. Back when the first program was introduced more than twenty-five years ago, construction owners were amazed at how quickly and efficiently their estimating, job costing and accounting tasks could be accomplished. Since then, however, newer and more sophisticated software tools have become available at costs even small business owners can afford. More importantly, good construction-specific applications offer owners the tools they need—such as instant access to consolidated data—to keep up in today's highly competitive construction environment.

THE WRONG PRESCRIPTION: OFF-THE-SHELF CONSTRUCTION SOFTWARE

When it comes to treating spreadsheet dependency, some accounting software can be like taking aspirin for pneumonia. Even contractors using inexpensive general-purpose applications such as small-business accounting software also tend to suffer spreadsheet sprawl. Such off-the-shelf applications do not offer contractors enough flexibility or formatting capabilities for job costing or specialized reporting. Owners frequently complain that they cannot see their data the way they need to. As a result, they spend even more time re-entering and manually updating data into spreadsheets that should live together with the other data in their accounting application. Without the ability to integrate data between general ledger, job costing and other modules, it becomes impossible to manipulate data and see numbers in industry-standard ways such as aging reports by project manager, production reports by geographic region or financials statements by job. In exchange for greater reporting detail and flexibility, these contractors come to rely on a series of disparate worksheets that offer virtually no data validation or protection against errors.

THE CURE: CONSTRUCTION-SPECIFIC ACCOUNTING SOFTWARE

Spreadsheet applications are great at performing complex calculations, linking to worksheets, and performing ad hoc queries, *if-then* scenarios and so on. It has serious drawbacks, however, when used for data storage, retrieving data from beyond simpler, occasional queries or accommodating multiple users. Adding to these spreadsheets large amounts of data can quickly deteriorate their integrity and usability. In contrast, most job-cost accounting programs, as well as other construction-specific applications, are built upon secure databases designed to handle large amounts of data and multiple users. These applications can easily handle millions of records, and reports can be shared among users without the worry of tampering or unauthorized use.

In general, the greater the amount of your data or the more challenging it is to organize, the more likely you are to need an integrated construction-specific application built upon a database management system. Think of the database as warehouse where all company data can be seen at once and examined from countless angles. Each transaction is entered only once and flows to other areas or modules where appropriate. In addition, date-sensitive applications tie every transaction to their entry date so that reports can be run for any time period—monthly, weekly, daily, even prior years.

Good construction-specific software also features hundreds of standard construction accounting reports, as well as customizable report-writers, so that contractors can recreate their spreadsheet reports without re-entering data. And in those instances where contractors need to manipulate or extrapolate their data outside the system, leading construction-specific systems provide seamless interfaces with third-party report writers or spreadsheet applications.

THE FIRST STEP: GETTING HEALTHY

There will always be a role for spreadsheets in construction. In fact, for the small contractor or start-up company, these desktop applications may be the only technology required for their financial and reporting needs. However, as contractors grow in size and project volume, there will come a time when the business can no longer rely on spreadsheets for collecting, consolidating, reporting and analyzing data. As a tool for estimating, job costing and financial reporting, spreadsheet technology has simply outlived its usefulness. Fortunately, construction-specific software systems built upon powerful database engines now offer what spreadsheets don't: A comprehensive data warehouse of up-to-date, accurate information and unlimited reporting possibilities.



FRED ODE

Founder & Chairman/CEO
Foundation Software, Inc., of Strongsville, Ohio

He started the company in 1985 after spending several years developing customized software systems for the construction market. He has managed the growth and development of the company from start-up to leading supplier of construction accounting software.

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