

Successful Project Management Getting A Handle on Work in Progress (WIP)



Running a Better Business Series

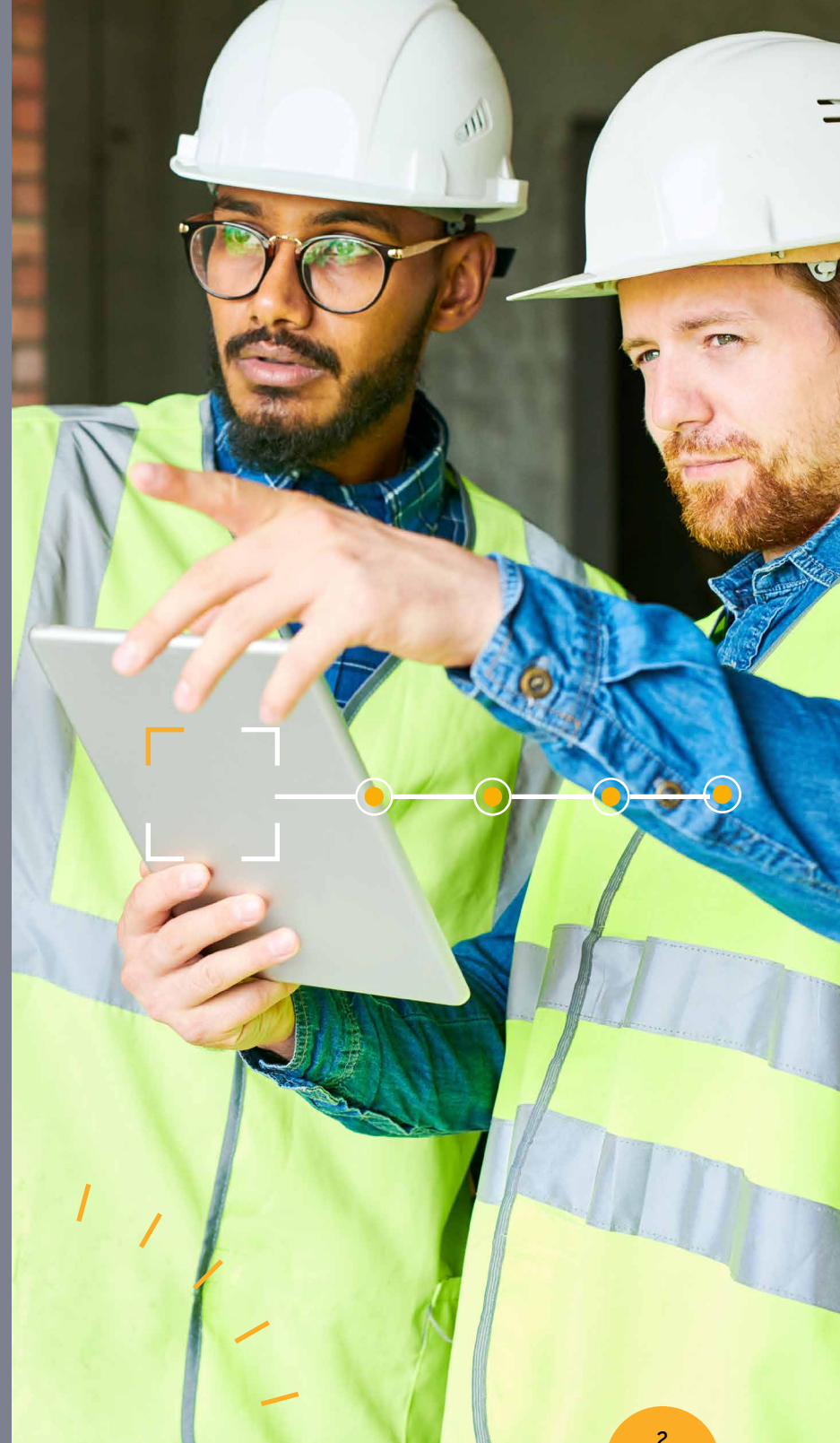


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To stay on budget and on schedule, contractors of all sizes are hyper-focused on efficiencies to make sure projects are successful. Large construction projects typically take 20% longer than scheduled to finish and come in at 80% over budget, according to McKinsey. As companies work to be more efficient, a key driver of that success is work in progress (WIP) tracking.

Accurate WIP reports help contractors manage the progress of jobs, costs incurred to date and how much has been billed. Because many contractors invoice early, projects can run out of billing as they near the punch list phase or completion. Inaccurate or incomplete WIP reports can lead to significant discrepancies in costs versus budget at the end of projects, causing cash flow problems.

Compiling this information across departments, including field and office, is a crucial way for contractors to become more efficient and generate an accurate picture of their business.

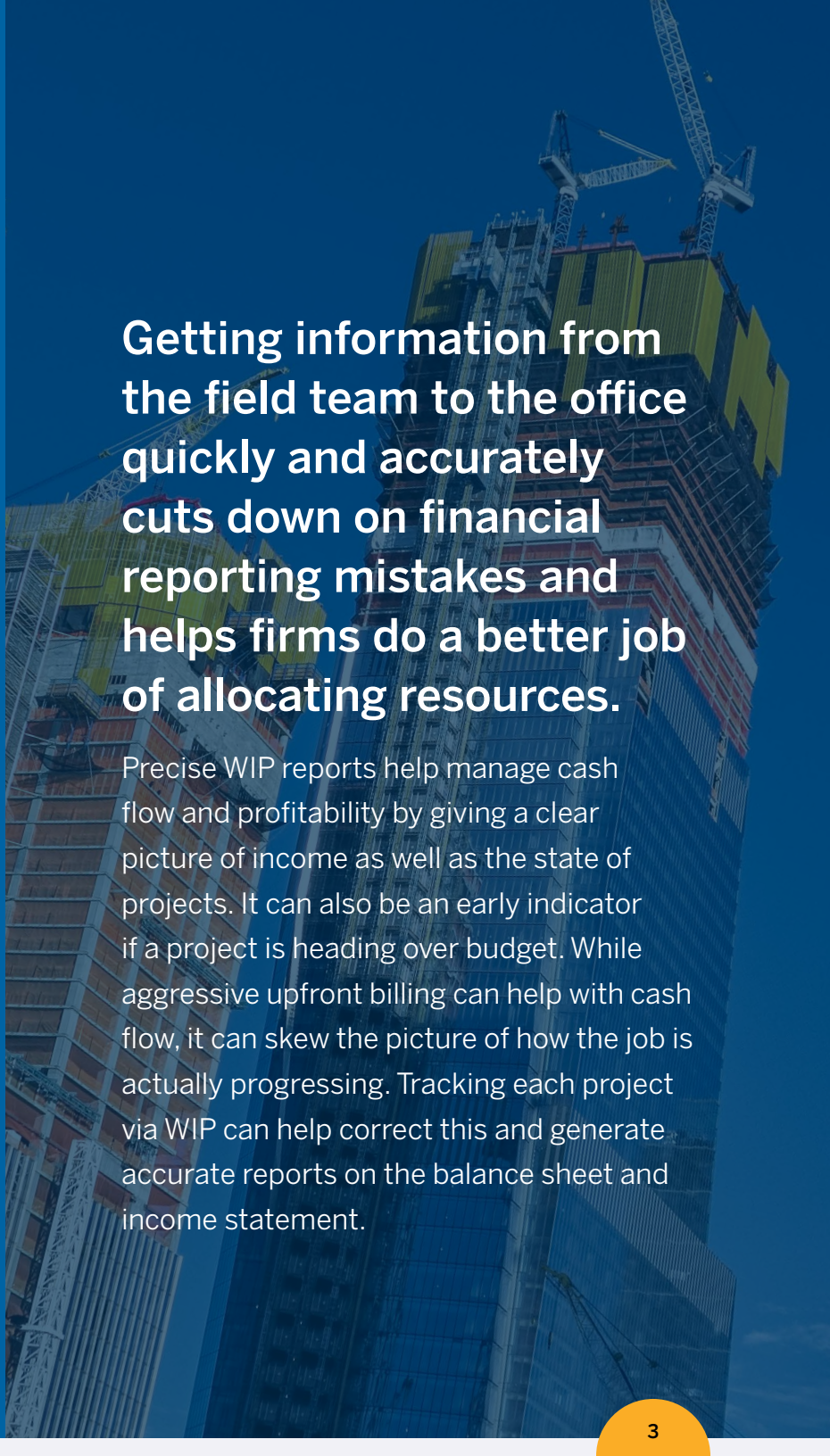




Where Contractors Have Issues

Construction companies continue to deal with cumbersome and time-consuming workflows. According to a recent Construction Technology Report by JBKnowledge, spreadsheets are the source for 59% of workflows in accounting and 46% in project management. This opens the door for errors in data entry and duplication of efforts across departments as information is entered in multiple locations.

Entry mistakes can be compounded when creating WIP reports that track multiple projects or involve team members across departments.



Getting information from the field team to the office quickly and accurately cuts down on financial reporting mistakes and helps firms do a better job of allocating resources.

Precise WIP reports help manage cash flow and profitability by giving a clear picture of income as well as the state of projects. It can also be an early indicator if a project is heading over budget. While aggressive upfront billing can help with cash flow, it can skew the picture of how the job is actually progressing. Tracking each project via WIP can help correct this and generate accurate reports on the balance sheet and income statement.

Tips for Creating Accurate WIP Reports

Investing in connected, cloud-based construction management solutions that brings project teams together in a collaborative working space is a critical first step for generating accurate WIP reports. Streamlining information from the field such as actual costs, progress made and contract information helps the accounting and project management teams generate accurate reports, reducing or eliminating their reliance on spreadsheets. And with real-time data and access, all project stakeholders can benefit from faster, more reliable reporting.

Another critical part of the WIP process is correctly reflecting the amount of work completed on a project. For example, many labor-heavy firms base the percentage of work completed on actual work done in the field instead of hours used or labor costs. Tracking WIP based on work completed versus work remaining can provide an early warning that job productivity is slipping and is in danger of running over budget.



Other methods for determining WIP:



Compare units completed to the percentage of the budget spent:

This can pinpoint potential cost overruns.

Percent completed estimate:

This should be used when more precise measures aren't available.

Cost to finish:

Include labor, materials and other items needed to complete a job.

The right processes and technology are also critical for timely, accurate job costing and progress information flow from the field to the office. That includes clear communication across teams, especially between project managers and finance staff. Records should be reviewed for accuracy on an ongoing basis.

Construction companies that invest in technology have a better competitive advantage. According to IFS, 75% percent of engineering and construction companies were planning to increase their spending on digital transformation—even as a global pandemic raged.”

What to Look for in Technology

There are a lot of business and construction technologies on the market to choose from, and it's easy for contractors to get tripped up in the transformation process. The first step is to clearly identify critical business needs and set realistic goals. Then, communicating with all teams and potential end users to get their buy-in and enthusiasm to propel technology planning process.

Next it's onto the technology itself.



Look for technology that is:

Cloud-Based

Cloud-based applications offer access to critical information virtually anywhere from any device with the right permissions. With real-time data and workflows, the cloud allows construction professionals to make actionable decisions as work occurs. The cloud also provides the latest cybersecurity measures, secure data storage, automatic backups and other data and business security measures.

Connected

When construction software can connect to the same real-time data source, it's much easier to measure and analyze WIP. It should be easy to connect data and automate the data entry between the back office, field crews, project managers, vendors, subcontractors and extended team stakeholders.

Mobile Enabled

Make sure applications are easy to use via mobile devices in the field. This must include accurate, standardized data collected in real-time, and from different teams. Software that No one wants to have to remember passwords for from multiple apps from their phone, or scroll through fields that aren't compatible with mobile devices.

Look for technology that is:

Scalable

Look for software that will grow as your company does, leveraging the latest technologies to meet needs. Connected solutions that allow flexible, role-based customization, self-serve data and analytics configurations, detailed reporting and forecasting capabilities and more allow contractors to do more with their data, helping them plan, do and manage better.

Tailored

Be careful of “out-of-the-box” solutions that are not designed for construction. Construction-specific technologies ease transition time and reduce redundant, time-consuming data entry. Look for systems that automate tasks specifically for construction jobs: purchase orders, estimates, change orders, accounts payable per job, payroll, etc.

Easy to use

How many reports do your employees have to pull every week? Look for solutions that make it easy to create and share reports, like dashboards and other monitoring tools to speed adoption and ensure information is always accurate. If the interface and navigation is clunky or requires extra steps, odds are not everyone will use it.

Conclusion

Accurate, timely WIP reports that leverage real-time data and workflows across the organization help companies manage cash flow better. It also clarifies the profitability of jobs and makes financial reporting easier. Since WIP is required, having up-to-date, accurate information helps companies find and minimize losses before they balloon.

WIP reports are strategic tools for contractors. Over time these reports identify profitability trends, analyze over- and under-billings, and monitor workflows.

Companies can improve job performance and boost their bottom line by understanding how resources are allocated. Connected technology, standardized workflows across systems and robust reporting have significantly better insight into their real-time financials helps companies plan strategically and make sound financial decisions.



Talk to our team

and see how a connected construction suite like Trimble Construction One can help you get a handle on WIP!

Call: 800-333-3197

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ABOUT TRIMBLE VIEWPOINT

Trimble Viewpoint construction software solutions, part of Trimble Connected Construction, allow contractors to better manage their projects, processes and people, using the data gathered to lower risk and improve margins. With more than 40 percent of the ENR 400 on our platforms, Trimble Viewpoint innovations are transforming the construction industry by connecting operations across financial and HR systems, project management tools and mobile field solutions.

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