

Industryinsight

Harnessing the power of I.T.
to control the cost on your projects



No organisation can succeed in business without managing and containing costs, particularly during uncertain economic times. Capturing and understanding every single job-related cost is critical to maintaining profitability and will provide a sound basis for a strong and viable enterprise as business confidence begins to build up once again. Kevin Shoemakers, WennSoft Product Manager, Professional Advantage discusses some basic job cost management steps that will benefit every project manager and every project.

Getting a handle on costs

With the economy in a slump and no immediate sign of it picking up, management of costs has become a critical issue for every organisation. As a result, the humble job costing system has emerged as an important tool in the drive to better understand, capture and manage business costs.

At the same time, the question of job costing systems can be particularly vexing for many organisations. Because of the importance of time and expenses when it comes to billing, companies involved in project management activities tend to have long-standing investments in job costing software. The solution might be an off-the-shelf package, an in house designed application or it may be something as simple as a Microsoft Excel spreadsheet, but it provides a way of capturing and recording all project or job-related costs. It is a familiar and well-used tool for the business.

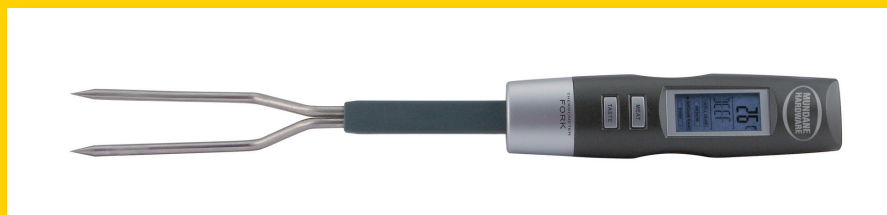
The problem is that many of these solutions exist in isolation from the company's core financial system. This means that in addition to maintaining and supporting two separate systems, the organisation faces additional costs associated with keying data twice and the burden of ensuring accuracy.

If typing mistakes do creep in or costs are not accurately reflected in both systems it creates a disparity whereby it becomes all too easy for the true financial situation to be overlooked or misconstrued. For example, a profit and loss report from financial system may indicate that the business is not as profitable as hoped, while multiple spreadsheets from project managers equally indicate that each individual project is performing well. Which report is to be believed? How can you know which one reflects actual project costs? And are all those costs being recouped when it comes time for billing?

“Multiple systems will incur multiple administration and support costs, and frequently result in multiple versions of the truth.”



Learn how you can manage the costs on your projects with a Job Cost Success Kit!



Get a FREE electronic BBQ fork with your kit!*

One version of the truth

The solution to this problem, is to work with a job cost system that is integrated with accounting functions; one that requires data to be entered only once for it to be captured in both systems; one that provides a single version of the corporate truth.

The system should also offer project managers the ability to use job data and pro-actively manage labour, materials, equipment, subcontractors and other user-defined cost categories.

Many of the modern integrated solutions are capable of highly granular data capture and offer sophisticated functionality that will help to further improve not only project, but also organisational profitability. Analyses such as costs versus estimates or forecasts, calculations against the earned value of jobs, percentage of completion reports are easy operations for integrated solutions and offer a vast improvement over the reporting traditionally on offer when managing job costs through spreadsheets or via the general ledger.

In addition, by operating job costing within the financial application, many complex accounting tasks such as forecasting revisions, variation controls and approvals and month end transactions are simplified.

“The integration of job costing and financial applications helps to create a more detailed, up to date, source of accurate data that enables better decision making.”

Kevin Shoemakers is the WennSoft Product Manager for Professional Advantage, a technology consultancy for mid-market Australian organisations.

The top three benefits of an integrated job cost and financial solution

For smaller organisations an integrated job cost and financial solution can provide an exceptionally beneficial foundation for future growth. It offers a tough but accurate financial view of jobs, ensuring that fledgling companies truly understand their project costs and profits. The technology can also help to establish best practice processes and a discipline that will hold a business in good stead as it expands in years to come.

For large multi-million or multi-billion dollar organisations, involved in oil refining or road construction, it is the level of detail and control that are often most attractive. Capable of capturing data relating to every last cent spent on a project and providing immediate, in-depth analyses, the integrated software solutions ensure that management is always kept in the picture – regardless of how geographically widespread an operation or project may be.

Changing systems does require some effort and corporate willpower. But with the right technology and the right implementation partner, the benefits will always outweigh the cost. And when it comes to job costing systems, those benefits can have a sizeable impact on the bottom line:

- Fewer systems to maintain means less cost to the business and less risk.
- Integration results in data entry being halved as it only needs to be processed once. It also significantly reduces the time required to conduct analyses and to derive meaningful information from the data.
- The speed and accuracy of information provides operational benefits, enabling project managers to make informed decisions and to remain in control of their projects.

For more information, contact 1800 126 499, email: microsoftinfo@pa.com.au or visit www.pa.com.au/microsoft



- Yes! Please send me a Job Cost Success Kit
 Yes! Please send me a BBQ fork.

Name: _____

Job Title: _____

Company: _____

Address: _____

City: _____ State: _____ Postcode: _____

Tel: _____

Email: _____

I'd like to improve on:

- Project/ Job Management
 Financial Management
 Reporting and Budgeting
 Field Service

* Only genuine business enquiries will be responded to.

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We are planning on reviewing:

- Now
 In 3 months
 In 6 months
 Not planning