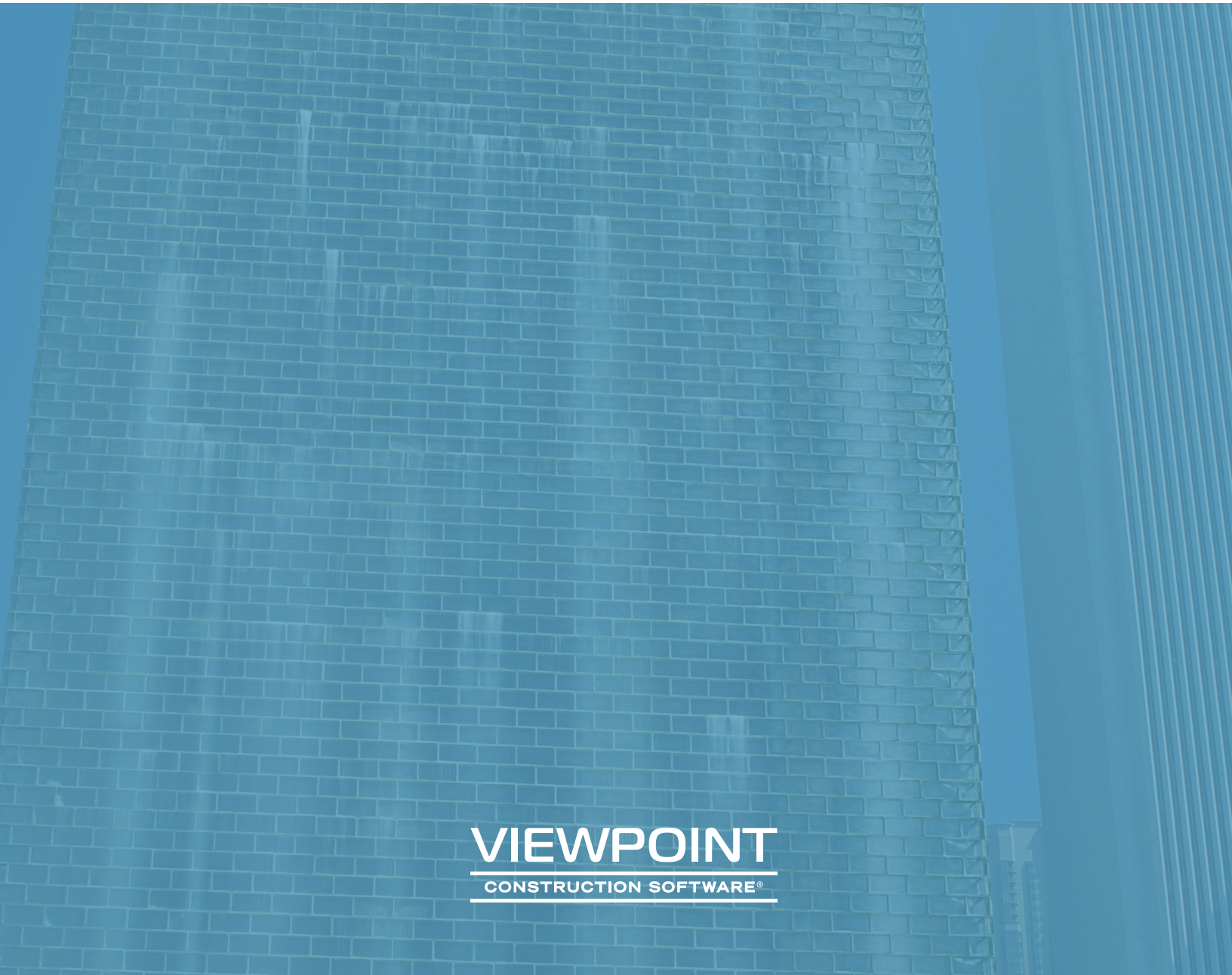
BEST PRACTICES GUIDE

Committing to Change:

Powering the Transition to Profitable Growth



VIEWPOINT
CONSTRUCTION SOFTWARE®

To unleash your construction company's full sales and profit potential, you must transition from an informal business with inconsistent business practices to a consistently repeatable business with standardized practices that enable you to constantly improve.

But your informal business practices were good enough to empower your company's initial success — and among the hardest things in business is to stop doing what made you successful in the first place. It's perceived as a challenge because it often doesn't make intuitive sense to employees, so employees resist change.

"The actual act of changing is painful," explains Jay Haladay, CEO of Viewpoint Construction Software, a leading provider of construction management software solutions, expert services, and best practices. "When customers ask me if this change is easy to make, I always tell them, 'No!' Of course, everybody wants to say yes to better profitability — but the litmus test is their willingness to make the long-term commitment of changing business processes."

Openness To 'Mutual Adaptation'

New technology plays a critical role in helping construction companies achieve greater efficiency through standardized, repeatable business practices. But technology alone doesn't create efficiency; what's required is a combination of technology, people, processes, and training.

This is considered a fundamental principle of technology implementation known as "mutual adaptation" — the idea that "a successful technology adoption by an organization usually requires adaptation of both the technology and the organization."[2] Says Haladay: "Your organization has to be open-minded to actually do the things that allow you to standardize."

Most important to establishing the open mindedness Haladay mentions is demonstrating how process changes that may make one person's job harder — usually temporarily but sometimes for the long term — lead to a benefit for another department that rolls up into a net benefit for the entire organization. "The biggest thing is getting departments to do things that are antithetical to them but important to their teammates," Haladay says.

> *"We were willing to change to make sure our new technology and processes work together as efficiently as possible. Companies that say, 'Here are our processes; these can't change' are writing a recipe for disaster."*
>
> *— Chris Evans, CEO*
> *Evans Chaffee Construction Group*

Accounting staff, for example, often must learn different tools or processes to accomplish the same tasks, with no clear benefit for their direct responsibilities. But when the tools and processes make important information more easily visible to estimators and project managers, they become more effective. When that happens, the company wins more business through more accurate estimates, increases profitability through more efficient project management — or both.

[1] *Optimizing Your Construction Business For Profitable Growth,* Viewpoint Construction Software, April 2014
[2] Miller, Suzanne, Readiness & Fit Analysis, Software Engineering Institute of Carnegie Mellon University, October 8, 2012

Best Practice Advice

Construction business professionals who have managed the transition from informal to standardized and repeatable business practices offer the following six points of detailed, practical advice.

1. **Owner commitment, owner commitment, owner commitment!**
   It should surprise no one that the first thing every contractor mentions is the need for commitment to change, starting from the very top of the company. This is a truth that goes far beyond the construction industry. A 2012 study by human capital management consultants Towers Watson found that, across all industries, 85% of the companies identified as the most effective at managing change focused first on executive sponsorship. However, the story was much different among the companies that the study identified as least effective at change management: of those, only 26% focused on executive sponsorship. The owner's commitment influences everyone else in the company, exemplifying the importance of the transition and belief in the effort and the outcome.

2. **Involve key influencers.**
   But the owners cannot change the organization by themselves. When Building Service Inc. (BSI) of Milwaukee, Wisconsin, decided to implement a new cloud-based system for project managers, they started by having round tables with project managers to discuss the strengths and weaknesses of their existing systems, then asked them what an ideal system would look like. Such involvement by key company stakeholders brings the best ideas to the surface, spreads positive word-of-mouth, and gets these important influencers to take "ownership" of the transition's success. Too often, owners make the decision to change on their own, without soliciting key influencers' opinions or involving them in the decision-making, which hinders the transition process.

3. **Emphasize training.**
   Of the many commitments needed for a winning transition to standardized, repeatable business processes, commitment to training often separates the most successful construction companies from the rest of the pack. This is because, sometimes, even companies that are otherwise committed don't properly emphasize training due to a belief that their experience and seniority make it unnecessary. This simply isn't true because the systems and processes required typically represent substantial changes to day-to-day work habits, as suggested by the principle of mutual adaptation mentioned previously. The commitment to training is best demonstrated in two ways: by senior managers' participation in training and by "help" — additional resources that free staff to truly focus on the training process.

> *"We [did] all the training videos before implementation so we would clearly understand how the product works and think about how we would modify our processes to work with the program."*
>
> *— Chris Evans, CEO*
> *Evans Chaffee Construction Group*

At The Norwood Company, headquartered just outside Philadelphia, Pennsylvania, the CFO and the vice president of operations collaborated to oversee the entire transition process. In addition, the VP participated directly on the "construction side" team while the CFO participated on the "accounting side." At E.R. Lewis Construction Company, based in Greenville, North Carolina, two senior executives

"Our accountants are confident when exploring the system. Our CFO, Charles Lewis, and I are backstops. If they mess up, they can breathe: we can fix it."

— Dillon Godley
Senior Contracts Officer
E.R. Lewis Construction Company

became so sufficiently expert in new software systems supporting the company's transition that they helped educate other staffers. And at BSI, interns were hired to relieve project managers of mundane but necessary tasks so that they could focus on training.

Another valuable training approach is to designate user "champions" to link between technical development and general system users. The champions become expert users who help other users learn the technology and explore its possibilities.

4. Win project managers' and estimators' buy-in via the benefits of information visibility and communications.

When transitioning to standardized, repeatable processes, project managers and estimators are often asked to change work habits they developed over decades. The best way to motivate them is to show how new processes lead to information visibility that empowers them. For example, visibility of project information flowing back to estimators improves the accuracy of estimates, which helps win bids and results in a more reliable new-business pipeline.

And exposing the detailed knowledge behind accurate estimates empowers project managers to run projects smoothly and efficiently, which means work flows in the right order, rework is reduced, and finished product quality increases — all of which contributes to better project execution and higher profits.

"One of our top goals is improving customer experience, where 'customer' means clients as well as other internal departments. Comparing customer experience differences before and after the transition helped win over our accounting team."

— Jim Macejkovic
Executive VP / CIO
Building Service Inc.

5. Gain accounting staff buy-in via their own efficiencies and the 'big picture.'

Of everyone in a construction company, accountants often experience the most inconvenience and reluctance in the transition process. Although their work becomes more efficient (for example, seamless information sharing can produce certified payroll reports with just one click; and the visibility of information to other departments reduces the amount of time accounting staff has to spend responding to others' requests for it), accounting staff often have to relearn work habits without the empowering return on investment for their efforts that is obvious to project managers and estimators.

"The main benefit doesn't accrue to running payroll, it accrues to the other departments that get better visibility," explains Haladay. Therefore, the 'big picture' benefits generated for the entire company must be powerfully articulated to motivate the accounting team. "What they need to understand is that after the transition, the business will be generating better results with every iteration and every cycle through the process," Haladay says.

"We are big believers in rewarding our people by using strategically designed incentive plans to help motivate or achieve the behaviors we are trying to create."

— Jim Macejkovic
Executive VP/CIO
Building Services Inc.

6. Reward stakeholders with strategically designed incentive compensation.

The beauty — and value — of well-designed incentive compensation is that it's a double whammy: It motivates team members to change behavior so that they will earn the extra money, and it communicates the earnestness of owners by spelling out that they are willing to pay for those changed behaviors. Stated simply, incentive compensation plans share with managers a portion of the increased profits that come from standardized, repeatable processes. When BSI realized it could win more work and increase margins if estimators obtained multiple bids on all subcontracting work and improved the speed and quality with which they filed "paperwork," the company developed a plan to incentivize that behavior. Estimators can earn a bonus of 1% of a job's profit for each of the following: obtaining three or more qualified bids for every subcontractor; completing paperwork in a specified timeframe; and having "error-free" estimates (meaning no mistake greater than half of 1% of the contract price).

Conclusion

Construction companies that follow the six points of best practice advice described above will take the "pain" out of the technology implementations and standardize processes necessary to unleash their full sales and profit potential.

Best Practices Guide Series

This article is part of Viewpoint's Best Practices Guide series, the aim of which is to provide straightforward, actionable, and detailed advice on the business and technology topics that are most important to construction firms. The advice is synthesized from conversations with leaders of construction firms of all sizes and in all industry segments.

ABOUT VIEWPOINT

Viewpoint, a leader in meeting the collaborative and information needs of the AEC industry offers construction-specific solutions for a variety of professionals including small, medium, large and enterprise contractors. Viewpoint solutions include takeoff and estimating, project management, accounting solutions, enterprise resource planning, project and BIM collaboration, mobile field-tooffice and enterprise content management. Viewpoint customers include more than 30 percent of the ENR 400 and have the most technology partnerships with the top 50 mechanical and electrical contractors in the United States. Viewpoint serves as the technology partner of choice to the construction industry and delivers the right solutions on the right platform, including cloud, SaaS and on premise solutions and provides customers improved accountability, efficiency and productivity throughout the U.S., Canada, the United Kingdom, Europe, the Middle East and Australia.

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