Can ERP Software Improve Construction Project Profitability?

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Introduction

Technology has transformed all stages of the construction ecosystem. Digitization is leading to the creation of power tools that are helping industries to design, plan, and execute projects on time.

As construction managers deal with the added pressure of meeting timelines, dealing with productivity issues, and improving costs, along with handling complex projects- the need for construction software increases greatly.

Today, the need for construction Enterprise Resource Planning (ERP) software is greatly felt across construction businesses of any size. The construction-focused hardware can eliminate many difficulties that are felt by construction owners.

Right from sharing project information to compiling all data can now be entrusted to software that can save precious time. Automating tasks like bookkeeping and time-consuming tasks like hours spent on spreadsheets before can now be handed over to ERP software.

Also, construction projects are increasingly becoming expensive and complex and manual processes are error-prone and to stay competitive taking the digital route is a wise decision.

With the help of new construction technologies, collaborating with the team that is working remotely has become so easy! Contractors can now track project progress, and collaborate digitally with the on-site team in a world that is still reeling with the ongoing pandemic.

But, one thing is clear that construction businesses that refuse to deploy software tools for digital collaboration will be left behind in times to come.

This is why ERP solutions like ProjectPro, powered by Microsoft Dynamics 365 Business Central and with two decades of construction proficiency are helping contractors plan ahead, stay competitive and resulting in added productivity.

To help companies navigate the construction landscape, effective deployment strategies have to be in place. What's more, a construction-specific advanced solution like ProjectPro is sure to reap dividends.

So to remain productive and increase profitability, construction businesses are quicker on technology uptake now than they were a decade ago. Whether it is monitoring on-site productivity, or seeing technology as a necessary tool creating value in work processes, a significant shift has happened in the construction arena.

Therefore, it will be crucial to examine the features of the construction tools that you will invest in and whether or not, it is eliminating the challenges you are facing. Thus, it's time to take stock of business data and check how your ERP software is improving construction project profitability.

How can construction ERP software optimize planning?

In a challenging and competitive environment, and to scale your construction business, owners are facing high pressure to remain profitable. Along with that, there is always a shortage of skilled labor, the need to manage subcontractors, and to keep track of accounting data is of crucial importance.

To keep skilled labor happy, construction businesses need to pay them on time. This means generating invoices and receiving payments on time is also a task that deserves due attention.

When targets are not completed on time it can result in huge losses. Whether it may be because of lack of planning or cause loss of clientele to the business, stakes are very high for a contractor. At the same time, a delay in project delivery can have huge repercussions as it can harm the goodwill of the company.

This is where a construction-specific ERP can help a business. By eliminating manual tasks, and automating tasks like labor and equipment management, scheduling, project accounting, etc. companies can keep project progress on track.

Planning a budget, taking stock of raw materials needed, efficient use of labor can easily be done with the help of a construction software like ProjectPro. Besides, with additional time in hand, a contractor can plan ahead, and mitigate risks to remain on top of the competition.

At times, a construction manager has to allocate materials, and plan timelines, and not adopting technology can be difficult if one has to manage all jobs. Good software will facilitate planning, sort contractual issues, and reduce unnecessary downtime.

Thus, project profitability is at stake if the owners do not take an ERP solution suited for their construction business. Also, contractors will no longer be blindsided or off the track as they can allocate budget and implement provisions to control expenses with the help of technology.

Facilitating Cost and Revenue Estimation

Most of the work is of contractual nature when it comes to construction companies. A contractor has to bid on a project with a set of estimated costs, and for this information and calculation regarding the project are necessary.

ProjectPro helps its clients by allowing them to assign any number of job tasks to that bid item and calculates the overall gross profit a business can accrue. Today, tools allow you to be sure you are well prepared to acquire a tender right before you submit your bid.

When it comes to facilitating cost and revenue estimation, construction ERP can help you create templates for job quotes and provide segments for bid items.

With the help of a job quoting feature, a construction firm can build assemblies of labor, equipment and also take into account subcontractor management. In addition, you can alter information, track progress, and can see job quotes segments whenever you want.

Be it planning estimates, raw materials, duration of the project, or labor cost, an ERP can give you projected cost that will not deviate much from the actual costs.

Apart from this, it can help you how much revenue will be generated or whether the project will result in profit and loss. So informed-decision making as well as managing costs and time comes into play.

Relying on a dedicated and smarter solution paves way for better deals and profitable business. This is because you have better insight into overall projected costs and can streamline your business according to the need of the hour.

As the business gets profitable, construction managers can expand to new projects and scale existing ones. Therefore, construction-specific accounting programs beat generic ones as it allows users to execute job costing goals better.

Besides, a cloud-based solution like ProjectPro can help you gain smooth access to job costs reports anytime you want it.

More importantly, software with robust reporting capacity and analytical capabilities can help you gather meaningful information that will help you choose a project wisely.

Thus to maintain the financial health of your construction business capturing costs and defining revenue is the best approach to stay ahead in this business.

However, it requires commitment and hard work to gain an advantage in a highly competitive space like the construction industry. Make sure you are tapping the technology that can up your game.

Streamlining Project Management

To make a project profitable, a contractor needs to have tabs on every process. Monitoring each aspect of the process becomes easy with an ERP solution.

Whether it is dealing with the distribution of tasks and assignments, or tracking project progress of various sites, this has always been a challenging aspect for any construction business. With ERP systems keeping monitoring assignments, timesheets, payroll processing all becomes quite simple.

Contractors can make informed decisions of assigning key tasks to the right resource, creating milestones, and get project progress insights by getting real-time data is a feat in itself.

Therefore, automation is a key factor to take your business to new heights. An ERP can fulfill the need to manage schedules, direct tasks, and assist in supervising projects by allowing you to manage your time per project at all times.

Project stakeholders then have the necessary information that can help them evaluate current processes. One can always evaluate the requirements against the current resources.

Therefore, streamlining a business may be both overwhelming and challenging at the same time but doing so ensures profitability and great returns in the future.

Increase in ROI

When companies switch to technology, return on investment is a crucial concern. As ERP can be a significant investment and utilizing it to reap maximum benefits is something that businesses try to gauge early on.

Thereby, a contractor has to look at this aspect from the lens of both tangible and intangible benefits. Business owners look at other benefits not only in terms of money but facilitating transactions and stopping profit leaks as an added advantage.

Besides, it reduces a lot of paperwork and removes the need to spend hours on time-consuming spreadsheets. Also by eliminating the need for manual work, reducing IT costs, companies can increase project profitability.

Amidst labor shortages, budget compliance, a digital tool like ERP can solve many of the operational woes.

Here's a list of benefits that ERP software will accrue for the construction and real estate business.

1. Keep Your Clients Happy

The primary concern of the business is to keep clients happy. This can only happen when you meet the customer demand on time. By utilizing the ERP software you can track customer data and make an action plan to implement project strategy. You can then predict an accurate budget estimate and meet important deadlines.

2. Decision making is more data-driven

With construction-specific software, you get access to dynamic data, which provides deep insights. Business owners have to rely on secure systems that will inform and aid them to clinch a crucial deal. This reduces mistakes and allows project managers to make data-driven decisions.

3. Collaboration is the key to success

One of the key benefits of using technology solutions is that it facilitates communication both on-site and off-site. Teams can connect and operate with each other as having real-time access to each other facilitates better communication! It also keeps everyone updated on the project progress and ensures seamless collaboration.

4. Higher Profits

The software brings in efficiency, reduces overall cost on operations, tracking billable hours, and decreases material costs. It completely eliminates the need for manual entry and increases overall productivity.

Besides, it can prepare lien-waivers, improves the accuracy of the accounting processes, and process electronic payments for the owners. As the benefits range from subcontractor management to retention tracking, saying yes to technology uptake can significantly enhance your revenue and profits.

5. Streamline Your Business

Construction companies can streamline the business and aspects like inventory management, asset management, contract management, etc. All critical functions can be executed easily with swift implementation of construction-specific ERP software.

Save overhead costs and make construction operations feasible for your business. By automating, integrating, and standardizing construction workflow processes, a contractor can effortlessly manage a project life-cycle.

To ensure return on investment (ROI), the cost of operations has to be less than the cost of investment. An ERP system does that by aiding contractors from start to finish!

Overall, it promotes real-time visibility and in a world that is still dealing with the pandemic, this gives owners control both on-site and off-site. Moreover, it's a great investment to manage the contingent workforce and contract labor as well.

By ensuring clarity of the operational workflow cycle with the aid of technology, contractors can simply focus on monitoring costs and projects.

The key to having a disciplined workforce is by promoting transparency. Having access to reports, marking labor outturn, and scheduling tasks ensure that projects are completed on time and with-profits too!

ProjectPro tracks various data and turns it into actionable information. With reduced running costs and result-oriented operations, ProjectPro is the most reliable solution for this ever-expanding construction landscape. Get ready to optimize your performance by choosing a system that will offer you the best value today!

Conclusion

According to McKinsey, "the future of the construction ecosystem will be radically different". In fact, it will be a more standardized and consolidated process. And the COVID-19 crisis has set the wheels in motion and is leading to transformation.

So it's time for owners to review and assess the value chain, and where and also how they want to play. The construction business is already in a perfect storm. Digitization is here as a key driver of this change. The companies that are adopting technology can quickly adapt and be profitable.

The paradigm shift that has happened because of technology will continue to gather momentum. To maintain a competitive edge and remain profitable, owners have to respond by assessing their business needs.

In order to survive and thrive, owners have to know all about the respective shifts that are happening in the construction arena. And, technology uptake is an important shift in an industry that was probably the last one to turn to technology for better returns.

A construction business has many operating requirements from bid management to facility, and equipment management, reporting and cost estimation. Therefore, a good ERP system not only facilitates decision-making but protects data, and provides additional security.

As per the McKinsey report, construction represents 13% of global GDP. But there is a significant risk in this industry as it is not performing well and historically, averse to change. Right from delivering ever more challenging projects on time and also handling an unpredictable market in terms of raw materials, the pursuit of profit is often a moving target.

But with technology as a guiding star during this next normal phase, it's proven that construction too is susceptible to the impact of digital technologies. To prepare for changes ahead and to reap profit, business owners have to take bold moves to reap rewards.

To navigate the rough waters ahead relying on technology solutions like construction-specific ERP solutions like ProjectPro will have a longer-term strategic impact. Moreover, software systems have already reshaped an industry that moved at a glacial pace when it came to adopting digital solutions.

Technology-enabled digital advisory services will soon wipe out the businesses that rely on old ways of doing things manually. As technology makes the construction business more industry-tailored, performance-based, and productive, leading businesses will rely on data and cloud-based software.

To break down traditional silos, these integrated technology-based solutions are paving way for:

- Phenomenal opportunities for Profit
- Increasing customer-focus
- Carrying out cost reductions
- Effective risk and compliance management

Thus, to improve construction project profitability, it's time to rethink the operating model. An ERP software with capabilities like project management, certified payroll reports, help with contract and change orders can be a game-changer for a business.

With the help of data powered by ProjectPro, a construction accounting software you can upgrade your business. From beginning to end, you can track data that helps in providing transparency for projects. So rely on construction technology to pave the way for future profit and enhance output for its players in the times to come.

About ProjectPro

Based on Microsoft Dynamics 365 Business Central, ProjectPro is accounting software for construction companies, contractors, and sub-contractors. It can help construction firms manage resources for labor, streamline business processes, control costs, and save time, resulting in improved profit margins and increased productivity. It also provides intelligent transaction processing, integrated data, and robust capabilities in developing analytical reports. Doesn't matter if you plan to grow your revenue, deliver quality projects, capture business opportunities, or want to do it all, ProjectPro can be your one-stop solution to design and achieve your business goals.

Resources: McKinsey, KPMG, Forbes

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