

ending the





paper chase

by Hugh J. Rushing

TEXTURA'S SYSTEM CAN CLEAN UP ACCOUNTING PROCESSES AND SPEED UP SUBCONTRACTOR PAYMENTS.

Say you had to dig a foundation for a project. What would you think of a construction company that sent an army of workers equipped with shovels and wheelbarrows to do the job? Sounds old-fashioned doesn't it?

Then consider how some construction companies handle payment cycles for their subcontractors. It is a paper chase, and credible financial people find that as much as 50 to 80 percent of the paperwork has errors—significant errors which result in lost productivity and huge expenses annually.

“The construction industry is a trailing industry in terms of technology,” admits Herb Brownnett, senior vice president of Textura Corporation, a company dedicated to reforming the payment process into a sleek, clean, and error-free exercise for both general contractors and their subs as well. “We find the payment systems employed by many companies are paper intense, prone to error, with wrong

forms, wrong math, wrong history, and unapproved change orders.”

Brownnett knows whereof he speaks. Prior to joining Textura, he was senior vice president of finance and administration at The Norwood Company, a Pennsylvania-based business ranked among Engineering News Record's Top 400 National Contractors. He is also the past national chairman of the Construction Financial Management Association and helped establish the Institute of Certified Construction Industry Financial Professionals (ICCIFP). Brownnett proudly holds CCIFP certificate number one. He was a construction finance guy who thought Textura was so good that he went to work for it. →

In business for five years, Textura is making inroads. It uses a Web-based program to validate payments by creating forms, producing perfect invoices, checking for lien waivers, and signing and notarizing electronically. Any problems are kicked back via email for correction. Textura says that subs with their ducks in a row can get lined up for payment in five minutes.

Birmingham's Hoar Construction uses Textura. Jeremy DiPiazza is the firm's CFO. "We were interviewing our subcontractors in an effort to get better. The whole process, when it is paper-based, is cumbersome. We criticized ourselves because we knew there had to be a better way. Our subs told us there were just too many steps to be taken that could result in a mistake."

Hoar adopted Textura some nine months ago for several projects, and now uses the system for 25 to 30 different jobs at any given time.

"We actually did an ROI exercise, calculating the savings, and we find that we are saving 30 to 40 hours a month per project in manpower savings. We had administrative and even project managers working paper trails before Textura and we are freeing those people to be truly productive now."

—Jeremy DiPiazza

Textura's system is open enough that a contractor can choose to allow suppliers, owners/developers, architects, and banks participate in or monitor the payment process. Brownett says that Textura's philosophy is to reduce a firm's workload, and not to require it to change to meet the requirements of software.



The firm's product can be configured on a project-by-project basis to meet the customer's needs. "Whether it is design-build, hard bid, or based on a percentage management fee, it can be easily customized," says Brownett.

Textura's process sends an email to all participants to declare a draw. Subcontractors and suppliers can click on links within the email to view their schedule of values. They enter requested payment amounts and electronically sign the requests. Properly completed, AIA-sworn statements and/or custom documents are emailed to the general contractor for review. Upon approval, the system automatically generates the general contrac-

tor's pay application. The owner, lender, or architect can electronically review the application online if they are on the system, or the application can be printed and mailed. Once the pay application is approved, the general contractor can electronically request all participants to sign a lien waiver. The system will then allow the GC to disburse funds when it is ready, with subcontractors usually having available funds in their accounts within 24 hours.

The system also integrates with all the commonly used accounting systems in the construction industry, Brownett says.

Hoar's DiPiazza also praised the



firm's support personnel. "As a firm that prides ourselves on giving great service, we were naturally interested in how Textura supports their program. This was a crucial thing for us, in order to improve our relationships with our subs. I can say that they bring an army of people in to train everyone—subcontractors included—in the system." DiPiazza said word about the smoothness of payments has gotten around and is attracting new subs wanting to work with his company.

For general contractors with subs who aren't especially computer literate, some firms have even put up kiosks in their offices where subs can enter their data. Some subs even ac-

cess their draw values and documents from home computers since all that is needed is an Internet connection, Brownnett reports.

Textura works on a subscription and a per project basis, with fees scaled to the size of the project. "The beauty of it is that you are not having to buy a software package with some large up-front cost," Brownnett says. "A \$10-million project running over a 12-month period may have a cost of about \$2,700. The monthly range is \$120 to \$140 depending on project size." Suppliers and subs pay a small transaction fee for their payments which covers their training as well.

In tough economic times, one might guess that selling such a service would be difficult, but Brownnett says that is not the case.

"We've seen a tremendous uptick in sales activity once the industry got over the shock of last fall's meltdown. If you look at it from the GC's perspective, there's improved efficiency, less risk, and improved cash flow—all things that firms are looking for in a challenging environment."

Bill Eichhorn, president of Textura and COO of international operations, says the firm's number of users has grown from 15,000 to 30,000 in the past 12 months. "We have clients now in 49 states," Eichhorn writes. An average month sees 28,000 documents on the firm's Web site and compliance documents tracked are over 20,000 monthly. Textura has also formed a joint venture with a developer in the middle east and opened a London office. ■

Textura Customers in Alabama

>>John Rives, CFO of Robins & Morton, reports his firm used Textura for pilot projects about a year ago, and decided in late 2008 to use the system going forward on all new projects.

"Our subcontractors' reaction has been great. I believe this is primarily due to our approach with its implementation and the realization on the subs' part too that it saves them time and money in addition to getting paid quicker," Rives says.

Textura has saved the firm's operations team hours and sometimes days per month in processing subcontractor billings and compiling the billings for Robins & Morton's clients, Rives reports. "We've even had one client insist that the project architect and owner reps get on the system to improve the efficiency in the way that the pay app was routed and approved after it left our hands. At the end of the day, I believe it saves money for all parties on a construction project."

>>Richard Drennen, president of Superior Mechanical, is one of the subcontractors who utilizes Textura in connection with the firm's work for Hoar Construction.

"The economies of Textura are so powerful that I wish we could do it on every project. Our niche is in larger, more complicated work so the benefit of receiving payment on a substantial payment application should be obvious. Our average monthly pay apps on a large project range from \$200,000 to \$300,000 and even more, so the time value of that money showing up in our account days or weeks ahead of traditional payment processes is a no-brainer."

Drennen believes that the industry will reward those who can deliver services more quickly, less expensively, and better. "Therefore Textura is going to be well received by those who want to avoid being left behind and ignored by those who can't appreciate what is happening in the marketplace."