

Making IT Cost Variable

As the U S economy continues to recover from the 2008 financial panic and ensuing recession, nearly all US businesses face increased uncertainty over their future. Nowhere is uncertainty as acute as in the construction industry, where financing remains tight and incentives to delay investment mean that projects continue to be slowed or canceled. While the downsizing of 2010 has abated in most parts of the industry, there is little incentive to invest in new hiring even when backlogs and new business pipelines start to improve. This is particularly true in back office or overhead functions such as finance and accounting. While few companies would take on new work without sufficient project management staff, labor supervision or client-facing personnel, there is a reluctance to hire additional accounting staff that may not be needed once the project is complete.

What can a Contractor do to manage the ups and downs inherent to the construction industry and exacerbated by the economy? One answer is to use technology to create a scalable platform to help manage new projects. In particular, a Software as a Service (SaaS) model with volume-based pricing can move costs that have historically been fixed (administrative, project accounting, accounts payable personnel) to variable costs. This does not necessarily mean that a company needs to reduce headcount to realize savings. If project count is growing, technology can be used to eliminate administrative tasks and allow, for example, a project accountant to handle 20 jobs at a time instead of three. During a growth cycle, this allows an organization to take on work without increasing staff. In a flat or decreasing revenue environment, staff can be redeployed to higher-value functions or used to replace open positions created by attrition.

For centuries, technology has promised to boost business efficiency and create competitive advantages for adopters. The internet has changed retailing, travel booking and a host of other services. In the construction industry, the uptake of technology has been slow. Nearly every contractor now uses an ERP system for accounting and other functions. CAD and more recently BIM have won over design. However, much of the industry remains mired in archaic process and paper. In a world of personal online banking, checks remain the standard for paying Subcontractors and suppliers. Invoices are created on everything from a cocktail napkin to a spreadsheet. Wet signatures and notarization are still the standard for many critical legal documents. Since 2004, Textura has helped Contractors replace paper checks and signed and notarized legal documents with electronic payments and electronically signed documents, speeding up the flow of money on construction projects, reducing risk for all parties and eliminating hundreds of thousands of man-hours associated with pushing paper. The result has been more efficient projects, more valuable employees and lower costs to project owners. Textura-CPM™ and Textura-PQM™ have helped the construction industry's back offices reduce their cost and focus their energy on high-value activities by eliminating much of the construction paper chase. At the same time, Contractors have gained a sense of comfort knowing that their costs will scale up and down with their revenue.

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