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Contractor Software Buyer's Guide

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Introduction

In just three years Southern Services & Equipment, a steel fabrication contractor in New Orleans, went from \$3 million to \$12 million in revenue—a 294% three-year growth rate. This earned them a nod on the [Inc. 5000 list of fastest growing companies in America](#) two years in a row. But SSE's rise in revenue wasn't without its growing pains.

They took on plenty of new projects, but this meant their field personnel were always running from job site to job site. Some of these new projects started abruptly after being delayed, so SSE had to wedge them in along with their on-time projects. Their fabrication facility was continually running at full capacity and employees were working overtime just to keep jobs on schedule. As result, they didn't have time to implement cost and overhead controls, which ate into their profits.

Contractors often aren't able to choose when they want their business to grow. In the beginning, it's all about survival, getting to a place where you can finally come up for air. The truth is only 36% of construction companies [make it to their fifth year](#).

If you're looking for culprits for construction company failures, the [Surety Credit Survey for Construction Contractors](#) cited low profit margins, slow collections, and insufficient capital as the major causes of financial difficulties among contractors.

But let's say your company is established, with a steady flow of projects and a few winning bids on big projects, giving your company no choice but to take your operations to the next level. Only after you find some time to take a deep breath can you ask, "How can I go from \$10 million in revenue to \$50 million? Or \$25 million to \$100 million?"

For contractor businesses who want to grow, but want to do it sustainably instead of chaotically, there's an opportunity to start using the tools and systems that will not only support but also fuel that growth.

Maybe job costing with Excel has become too unwieldy. Or you've had an inkling some projects just aren't profitable, but it's been impossible to prove it. Papering over underlying issues doesn't make them go away and can put a wrench in your hopes for sustainable growth.



Putting off creating systems to fix these problems can ruin the spoils of success when revenue grows exponentially. Correcting already known issues during periods of tremendous growth is like trying to repair a rocket during takeoff—it'll likely end in disaster.

This is how scaling up can result in overexpansion—all of the revenue growth without the accompanying profits. Here are a few common reasons why contractor business growth doesn't result in a healthier bottom line:

- **Poor job cost tracking.** Inadequate expense tracking tools can lead to missing job costs, which are the ghosts stealing profitability from your projects. Accurate job costing is a must for maintaining your company's margins.
- **Inadequate cash flow management.** U.S. Bank [completed a study](#) finding 82% of businesses fail because of cash flow issues. Good cash flow management requires accurate financial projections to show how much working capital is needed for operations, as well as good collection processes for accounts receivable. Contractors that can't look past their proverbial nose can regularly find themselves short of cash when they need it most.
- **Lack of accounting best practices.** Bad bookkeeping habits can be hard to break. Yet accurate bookkeeping and precise financial statements are key to maintaining your company's financial health. Establishing proper accounting protocols can be the first step in solving nagging issues.

If any of these problems are plaguing your business now, they can turn into major headaches down the road, pulling you away from winning bids and completing projects on time and under budget.

For contractors looking to avoid these pitfalls and establish a solid infrastructure for growth, upgrading to a business management software with the right mix of ease of use and enhanced capability can be the secret sauce for taking your company to the next level.

Business management software provides the data you need to manage jobs effectively and make better financial decisions for the company. It also gives you better control and clearer visibility with estimates, project costs, change orders, and bookkeeping, giving you an X-ray view of your company's financial health. With control comes increased confidence in, enabling your company to focus on doing its best work.

For those contractor businesses looking for a solution like this, the choice usually comes down to best-in-breed business management software or an all-in-one ERP solution.



Best-In-Breed Business Management Software vs. All-In-One ERPs

Enterprise Resource Planning (ERP) software is sold as an all-in-one business software solution that has powerful capabilities, but it also comes with expensive and unnecessary software modules for functions like ecommerce, HR, and CRM.

ERP software costs usually start at five figures, plus 1.5 to 2.5 times the software cost for implementation. Implementing an ERP typically takes 6 to 12 months. Then you have to factor in additional costs like:

- Hardware
- Integration
- Training
- Maintenance and upgrades
- Activation fees

Mindy Nunez Airhart, SSE's CEO, once considered switching over to an ERP after learning about their industry-specific software modules. But when she asked an ERP salesperson how much implementation would cost, she was shocked, "When he said five figures I nearly fell out of my chair. I said, 'No. It's not happening.'"

Five figures for ERP implementation is actually on the low end of the scale, as a typical ERP implementation can cost [upwards of \\$150,000](#). A good rule of thumb is you'll pay about 1.5 to 2.5 times the cost of the software for implementation. One reason for ERPs lengthy implementation periods and costly software is it's all-encompassing, touching every aspect of a business and changing the way it operates.

Instead, business management software solutions provide best-in-breed financial tools with the ability to integrate with software your company already uses, like [Field Pulse](#), [TSheets](#), and [CoConstruct](#). Before you make a final decision, there are a few important things to consider:

6 Questions to Ask Before Buying Contractor Software

Changing the software you use to run your company is a significant initiative. It's important to request input from all the necessary stakeholders early in the process, so they are invested in the process (this can also lead to higher adoption rates post-implementation). When gathering feedback, be sure to ask these questions internally before your software search.

1. What jobs do you need your business management software to do?

This can be as simple as making a list of wants and needs—which can vary based on your company's niche. If field management is essential to the way you run your business, put it on the list. Other features like job costing, payroll, and project scheduling should all find their way on your list of priorities. Established contractors looking to upgrade their business management software are typically in need of advanced reporting features—default report templates aren't won't cut it anymore.

Imagine being able to unlock hidden insights so you can make strategic decisions about where your business can grow. With full customization of every aspect of your reports, you can uncover these insights based on the unique characteristics of your business. Plus, you'll save precious time by cutting down on manual entry and reducing your risk of errors. Advanced reporting is what helps you stay on top of job costs and cash flow so you can ensure the profitability of your projects as you grow.

When you start to consider solutions, you'll have a much easier time sorting through which is right for your company if you know the jobs it needs to do. You'll also be better able to spot excess software modules or features so you don't end up with bloated and expensive software.

2. What are your weaknesses as a business and what do you need to get better at?

This is a great opportunity to take an honest look at your company and figure out what needs to change in order to meet your goals. Of course, software can't solve all business problems, but you don't get many chances to revamp the systems you use to





run your company. Your search should involve looking for solutions to problems that have been holding the company back.

3. What are your one and five-year growth projections?

When shopping for software, the focus tends to be on features and costs. Another important and often overlooked consideration is the ability of your business management software to grow with you. Think about where you project your company to be in the next year to five years. It's important that your business management software can scale with you, with a solution you can trust to have your back along the way.

4. Do you want cloud-based or self-hosted software?

Self-hosted software is a good fit for companies with existing IT infrastructure. They are more customizable than cloud-based software but require a costlier upfront investment due to higher hardware costs. In contrast, cloud-based software is becoming the norm, with most business management software solutions offering cloud-based options. People are becoming more comfortable with having their data hosted on the cloud, but if data security is of utmost importance, then hosting your data in-house may be your best option.

5. Do you need business management software that supports you in the field?

A growing consideration for contractors is enabling their project management employees to effectively perform in the field. Today tasks like job scheduling, real-time project updates, invoicing, and mobile expenses [can all be done in the field](#), saving employees time and helping administrative staff operate more efficiently. With increased coordination amongst employees in the field, growing a business can feel less like total chaos and more like a challenge.

6. What is your total budget for upgrading your business management software?

Creating a comprehensive budget can be difficult, especially when shopping for an ERP, because of the myriad costs that have to be accounted for. Accurate pricing can also be difficult to find, requiring multiple phone calls with different vendors. Remember, implementation typically costs about 1.5 to 2.5 times the cost of the software.

In addition to standard costs like hardware, implementation, training, and maintenance, be sure to account for additional costs like licenses, customization, integration, and activation fees. In addition to a financial budget, be sure to budget the proper amount of time and manpower that will be needed for the implementation and training period. We've created a [QuickBooks Enterprise pricing calculator](#) to make budgeting much easier, giving you a total cost for your company in about a minute.

Smarter Business Tools, Better Decisions

During every phase of a project, a contractor needs to know it lines up with deadlines and cost estimates. For close to 20 years, Southern Services & Equipment has used QuickBooks Enterprise to do this and much more—through the boom times and the lean times.

As companies grow, running an efficient operation gets more difficult with increased employee counts and bigger project loads. Choosing a business management software that gives you the visibility to make better business decisions is one of the best moves you can make to achieve sustainable growth as a company.

Learn more about QuickBooks Enterprise [here](#).

