

5 best practices for cost capture & WIP

Bring your people, data and technology together
to deliver world class results



EXECUTIVE SUMMARY

This guide is aimed at project based organisations who want to run their operations more efficiently. This paper looks at the complexities involved in capturing costs and managing WIP.

WHO'S IT FOR?

This guide will be useful for anyone responsible for managing teams of professional services resource, including project heads, professional services/ operations directors and project managers, as well as finance professionals.

Best practice tip 1: Define a meaningful reporting structure

Without a sound foundation on which to measure your project's performance, you can never truly understand what drives your business forward – and what's holding it back.

Understanding what you should measure isn't always obvious – and is specific to your organisation. Having accurate reporting on where high value resources spend their time is critical if you employ fee earners on different salaries. Yet a construction firm would benefit more from a detailed breakdown into their subcontractor or materials costs.

WHAT CAN I DO ABOUT IT?

A collaborative approach – involving workshops and discussion with your project heads – will allow you to define your cost drivers from the start. The result is a solid yet flexible job costing analysis that allows you to track profit at your chosen levels with the minimum of effort.

This approach allowed faith-based charity the Church Mission Society to simplify its complex fund structure. As a result, managers can easily analyse which of their hundreds of active projects are progressing and which need attention – saving time and money. “Before, we were managing 23,000 codes, but we've been able to cut that down to 400,” says Stafford Cruse of CMS. This combined with automated processes has saved CMS almost a day and a half every month.

KEY BENEFITS OF THE RIGHT COST STRUCTURE:

-  Focus on what's important to your business
-  Analyse project performance at any level
-  Save time & money on report production
-  Take early action over problem projects



Best practice tip 2: Make it easy for employees to enter costs

Timesheets, expenses, purchase orders: getting this information 'on the system' can all incur significant administrative costs. In today's project related world where margins are tighter than ever, few can afford to lose time and money to rekeying and errors.

WHAT CAN I DO ABOUT IT?

Unlike spreadsheets which involve duplication of time and effort, software that facilitates onetime, at-source data capture both lifts the administrative load and increases data accuracy.

Moreover, the method for data entry should be intuitive for non-finance users: for example, systems that remember 'favourite' expense claims; supply you with pre-set preferred suppliers when raising purchase requisitions, and timesheets that automatically load frequently used project codes or information from resource planning tools.

ANYTIME, ANY DEVICE

Web-based systems are ideal for this task, since they let any user, regardless of location, to capture this information at home or on the move. Having all this functionality available on whatever device is to hand – whether it's your PC, smartphone or tablet – goes a step further to support today's increasingly mobile workforce.

For mobility solutions provider Jade Solutions, the ability for project coordinators to raise purchase requisitions online has made it requisitions online has made it very easy to view and approve third party costs. FD Peter Thomson explains, "When the invoice arrives, we put the order number in and the system tells us what it's for. If the detail doesn't match, then we don't pay. We've gained back control over what we're doing, and my life is a lot easier."

KEY BENEFITS OF DIRECT COST CAPTURE:

-  No more rekeying or errors
-  Understand costs at any point in time
-  Review supplier performance easily
-  Timely data for WIP reporting

Best practice tip 3: Don't over-engineer your workflows

Today's business software can do so much: triggers, alerts, configured workflows and so on all create information and deliver it to our inboxes. Yet in our busy, sometimes stressful roles, we don't always need to approve every purchase request, or need to know every nuance of our customer activity.

WHAT CAN I DO ABOUT IT?

By understanding what is key to improving your business performance and involving stakeholders at all levels, you can simplify your processes and pare them down to what really matters.

For example, you may choose to receive alerts only when purchase requests go over agreed spending limits. In addition, you could re-route your workflow so that timesheets post directly to projects – with managers only alerted when the variance between estimates and actuals gets too high. This way, you can focus on anything that could affect your profitability: the cost revisions that threaten to send you over budget, or the highly paid employee who looks to be spending significant time working on a project with little or no profit margin.

Keeping workflows streamlined but effective proved critical for construction and maintenance service providers, Freedom Group. Configurable workflow and alerts combine to let budget holders know when their action is required. Freedom Group can embed its chosen business processes into the software – rather than vice versa – putting them firmly in the driving seat.

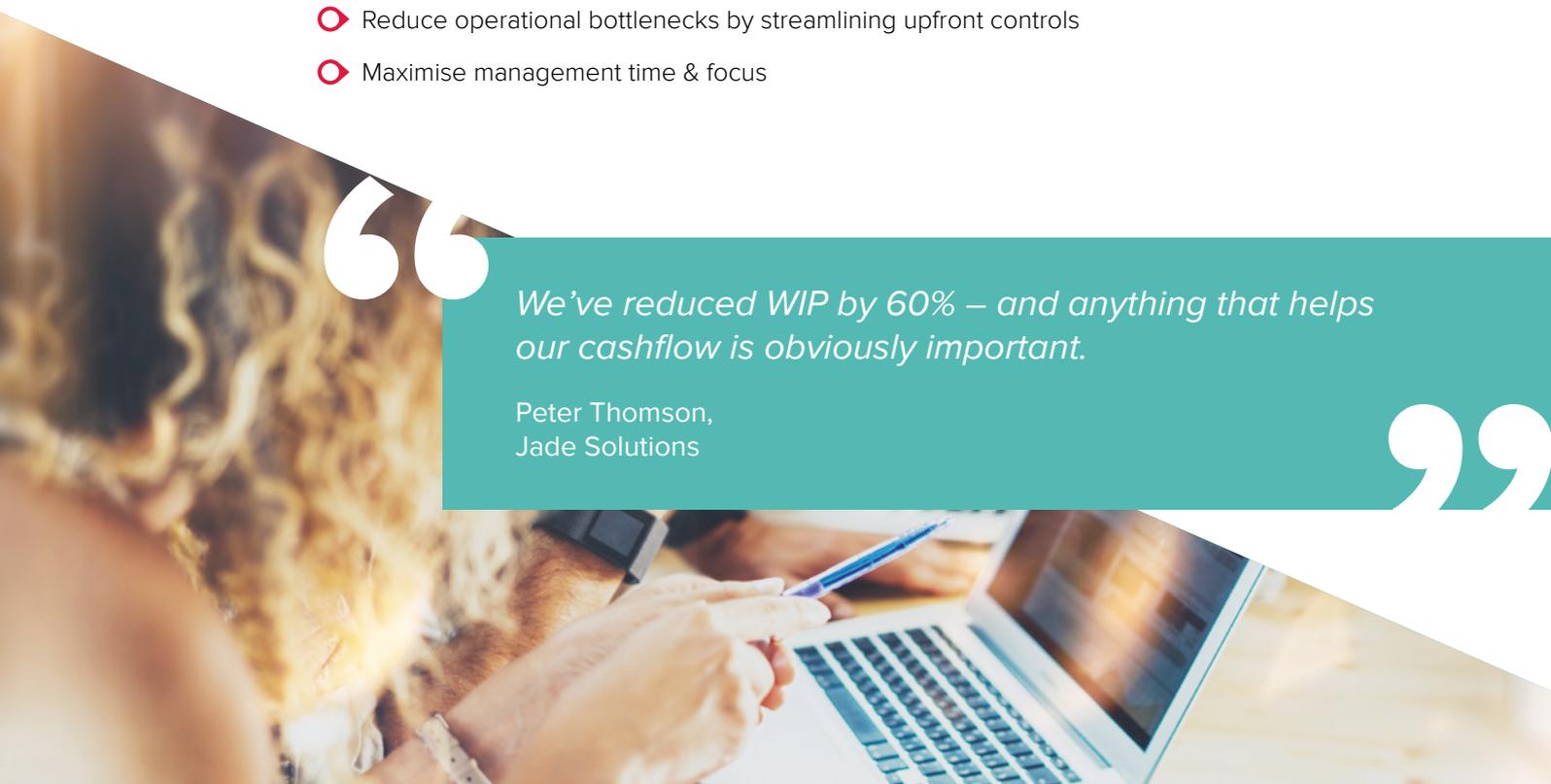
BENEFITS OF BY-EXCEPTION MANAGEMENT:

- Get straight to the heart of the issue
- Reduce complexity and time-wasting
- Reduce operational bottlenecks by streamlining upfront controls
- Maximise management time & focus



We've reduced WIP by 60% – and anything that helps our cashflow is obviously important.

Peter Thomson,
Jade Solutions

Best practice tip 4: Don't separate finance from the rest of the business

You need to connect the numbers – that's a fact. But what about the other inputs that are so key to ensuring successful project completion and client satisfaction – such as project plans, job specs, correspondence, revisions and contracts?

In many businesses, these non-finance sources of information are scattered across the organisation and in a combination of sources – from email accounts and spreadsheets to filing cabinets and peoples' heads. The risks are real: products released without the right tests; sales made on outdated information; client change requests not fed through.

WHAT CAN I DO ABOUT IT?

The key is to think of your projects in terms of management, not just costing. Having a place to refer for the latest non-finance information and the ability to update it in real-time brings consistency and efficiency to the whole process. Information captured right at the start of the project lifecycle – e.g. bids – are seamlessly collated with plans, contracts and other correspondence added at any time.

INTEGRATION WITH OTHER SYSTEMS

Integration with other information sources is also key. The ability to view contracts held in another system – CRM for example – or the latest handover notes, will bring a rounded view of the project allowing sales and finance to view any changes to their customer situation.

DOCUMENT MANAGEMENT & OTHER PROJECT TOOLS

By integrating document management into your finance system, businesses gain the visibility of information needed to deliver the project efficiently. For example, once the client has agreed signoff, project managers are able to simply upload the required documentation to a central store. Triggers in the software alert the financial controller to commence the invoicing process, which in turn accelerates payment and strengthens cash flow.

BENEFITS OF CENTRALISED PROJECT INFORMATION:

- ◉ Better collaboration between staff, finance & client
- ◉ Work from accurate & timely information
- ◉ Utilise information from other systems
- ◉ Decrease risk and improve cash flow

Best practice tip 5. Bring your WIP online

As many project managers know, calculating WIP from information held on disconnected systems can involve a huge duplication of work (often in Excel) which has to be repeated every month. All this drains time and effort from your talented staff who simply need to understand how their projects are faring and what steps they need to take to get their WIP down.

WHAT CAN I DO ABOUT IT?

By getting your WIP information off separate silos and into one place, a centralised system can streamline reporting. Good processes and the right reporting tools will give the FD and the project managers the information they need, at the right time and in the right format.

We have already covered timesheets, purchase requests and expenses: a system to streamline all these inputs from the wider business and into the central system will give you a great starting point.

A resource planner which automatically populates timesheet information and feeds into the finance system goes a step further to reduce the complex calculations involved in collating labour.

Once this information is in your system, creating the WIP reports (e.g. cost to complete, time to complete or any other metric you use to assess your project performance) should be simple. Having these reports made available via the web will empower your project managers to assess WIP whenever they need, bypassing the finance team completely. This leaves the FD free to focus on your cash situation.

This proved a game-changer for Peter Thomson, FD for Jade Solutions. “Previously, WIP calculations could take me all day – now it takes me a couple of hours. And because the system’s better, the WIP’s a lot less because we’re invoicing earlier.”

BENEFITS OF WIP MANAGEMENT:

- ◉ No more chasing operations for information
- ◉ Real-time visibility of costs at anytime
- ◉ Better control over your cashflow
- ◉ Account for extra/unrecoverable costs

Case study – Jade Solutions

OVERVIEW

Our tightly connected project and finance suite proved the ideal solution for this leading mobility solutions provider. By replacing its outdated, disconnected systems with an online project portal and integrated finance system, cost capture is easy, invoicing is simple and WIP calculations are accurate. As a result, WIP is down by an impressive 60%.

THE CHALLENGE

An outdated Sage system and a proprietary project application made tracking installations a real headache for Jade's finance director, Peter Thomson. "Project-related data was held in a customised project management system that was neither accessible nor integrated. Even carrying out standard calculations, such as WIP, had to be done manually. I didn't have much confidence in the end result."

WHAT WE DID

Our consultants demonstrated our online projects solution, FocalPoint. Featuring a range of modules including timesheets, expenses and purchasing, it allows project based staff – most of them non-finance users – to instigate the cost capture process.

TIME & COST SAVINGS

By replacing paper-based processes, duplication of time and effort is eliminated. Through customisable authorisation workflow, the finance team are relieved of the need to check/ chase information and manually reconcile two datasets, saving time and reducing costly errors.

PURCHASE CONTROL BENEFITS

Jade's Project Coordinators are now easily able to raise purchase requisitions in FocalPoint, capturing sub-contractor costs from the outset. "When the invoice arrives, we put the order number in and the system tells us what it's for. This enables us to check the detail – if it doesn't match, then we don't pay," says Peter.

IMPROVED CASHFLOW

WIP calculations are now quick and simple. "Previously, this could take me all day – now it takes me a couple of hours. And because the system's better, the WIP's a lot less because we're invoicing earlier. We've reduced WIP by 60% – and anything that helps our cashflow is obviously important."

CONCLUSION

Peter concludes, "Our Access solution continues to provide us with the information I need to inform our business decisions, and from a management information perspective, has taken a lot of the pain away."

Summary

How can implementing best practice around cost capture & WIP deliver results for your business?

- ◉ Understand where costs converge and safeguard your margins
- ◉ Pinpoint potential problems before they get out of control
- ◉ Communicate effectively across your organisation
- ◉ Reduce frustrating WIP calculations & get the real picture.

GET IN TOUCH

We hope that you've found this paper of use and we wish you every success in mobilising your next project. For advice on how we can help you to implement any of the best practices covered in this guide please call 0845 345 3300.

To see information about Access solutions for project based businesses [click here](#) or visit www.theaccessgroup.com/finance/sectors/





About Access Financials

Access Financials helps finance teams see the bigger picture, bringing your people, data and software together with a single solution that grows with you, giving you one true view of your business. With a single sign on combine powerful finance, project accounting and procurement software together with your sales, services and operations - increase productivity, make decisions that matter and maximise your profitability. Cut through complexity with the most scalable, innovative, integrated and easy to use solution for your business, people and customers.

Over 3000 project and service-based organisations use our software to win new business, manage their finances, empower their staff and deliver projects on time and within budget.

About Access

Founded in 1991, Access has over 20 years' experience in providing vertically focused industry specific software solutions. Proud recipients of 'The Sunday Times Best Companies to Work For 2016' award, our team of over 1000 employees provide an outstanding service with a personal touch.

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