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Changing Your ERP System: Decision, Implementation and The Life Thereafter

TN Ward Company, Northern Electric,
Inc. and Computer Guidance



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At some point every organization must decide, “Is it time to change our ERP?” If you decide to keep your current system you risk falling behind technologically and functionally. On the other hand, if you decide to change your ERP you will be faced with making a large investment, undergo varying degrees of disruption, and risk a failed implementation.

The primary reasons contractors seek new ERP systems include:

- change in management and ownership,
- change in company direction,
- greater need for business process improvements,
- desired improvements in reporting and data mining,
- field and office operations are not integrated,
- technology is outdated or will no longer be supported, and more.

Once the decision is made to change to a new ERP system, there are common tasks that each contractor must consider in order to make the switch successful. From data conversions to user training, proper planning and implementation management will help make the effort worthwhile and maximize your return on the investment.

Mark Smith, VP of Finance, TN Ward Company

Mark Smith is the Vice President of Finance at TN Ward Company, a General Contractor/Construction Manager in Philadelphia PA. Mark has been with the company since 2005 acting as project controller, corporate controller and VP Finance. Mark is the 3rd person in the company's 98 year history to take the finance chief position. In addition to the finance role Mark also is responsible for Human Resources, Risk Management and has chaired the IT Committee at TN Ward for most of his tenure. Mark led the selection and implementation of eCMS in 2012. Outside of work Mark is a husband and father of 5 and finds time to train and compete in triathlons and marathons each year. Mark completed his first half distance Ironman event in 2014 and plans to complete a full Ironman in 2016.



Jim Vercauteren , Controller/Treasurer, Northern Electric, Inc.

Jim Vercauteren is the Controller / Treasurer for Northern Electric, Inc. He has been with the company for 5 years. Prior to joining Northern Electric Jim was the Controller / Treasurer for Hurckman Mechanical Industries, Inc. for 28 years. He has been responsible for the company's financial reporting, analysis, forecasting and cash management. Also has worked with project management on project budgeting and cost variance reporting. Jim has also managed the development, implementation and maintenance of the company's accounting and project management software. Northern Electric, headquartered in Green Bay, Wisconsin, has been with Computer Guidance starting in 2012 with the implementation of the software.



Sal Ashek, Software Solutions Advisor, Computer Guidance

As a Software Solutions Advisor, Sal Ashek supports the Computer Guidance sales team in advising customers on how best to use the products or services provided. Sal frequently collaborates with the design, development, and professional services departments to determine how products and services could be developed or modified to suit the needs of Computer Guidance's clients. sal has an extensive background in accounting and construction management. Sal holds a Bachelor of Accounting degree from the University of Phoenix.



7 Key Discussion Points

1. Decision To Make An ERP Change
2. ERP Selection Process
3. ERP Requirements
4. ERP Implementation
5. Business Processes Fixed, Improved, and Introduced
6. Achieved Results Due To ERP Implementation
7. Recommendations and What's Next



Decision To Make An ERP Change



Decision To Make An ERP Change

- Current ERP lacks functionality prohibiting company to achieve business goals
- Business processes are driven by the ERP not by the business need
- Operating costs of the current ERP is high
- Current ERP provider is ending the life of the product
- Employees are using paper documents, courier service and spreadsheets
- Decision-makers cannot get data out of the system or access information
- Company is growing and/or changing and current ERP cannot support needs
- Losing business to competitors because it is easier to do business with them
- Company mergers or acquisitions force the change to another ERP



Decision To Make An ERP Change



Why did Northern Electric look to change ERP system?

- When I was hired at Northern Electric in 2011 I was asked to review the current software that was being used by the company.
- Some areas of weakness were material inventory management, material purchasing, payroll for prevailing wage projects, human resources management and providing job budget, actual income and cost information to project managers.
- The current software only offered a very limited financial report writing software and offered limited system financial reports.
- The software provider did not offer good solutions to the issues that we had with the software.
- For the company to grow and improve the information provided to management and project management the decision was made to make a software change.

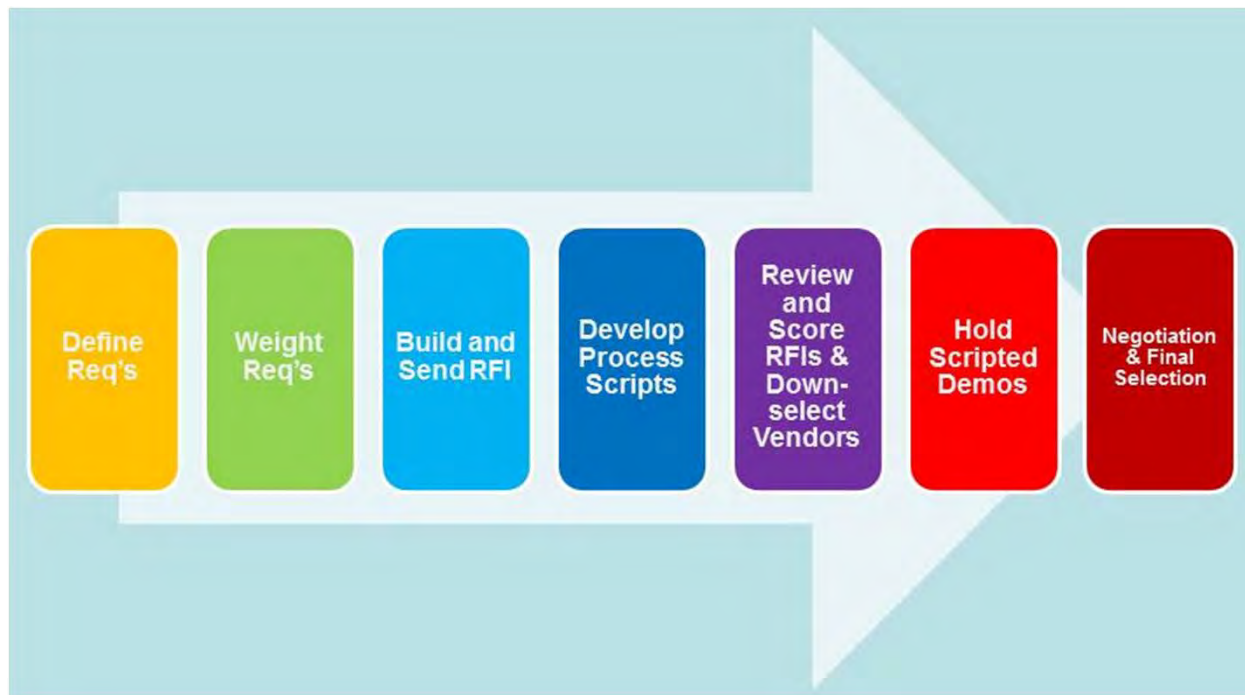
Decision To Make An ERP Change

Why did TN Ward Company look to change ERP system?

- Silos of Information
 - Accounting – only access to up to date cost information was by accounting personnel – operations had to ask for paper reports and wait for response to complete projections and budgets
 - Operations – each job stood alone so no rollup reporting by project manager, location, customer, etc.
- Lack of Timely reporting from Finance to Operations
- Duplication of Entry
- Companywide reporting all Manual Spreadsheets
- Timing/risk of losing tax advantaged purchase

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ERP Selection Process



ERP Selection Process

- Hiring a consultant
- Create a committee
- Assign a resource
- Gather requirements
- Business process gap analysis
- Issuing an RFP / RFI
- Reviewing available solutions
- Change Management
- Business Impact
- Company Readiness
- Upper Management Buy-in
- References
- Networking
- Cost / Budget / ROI
- Customization / IT Resources
- IT Impact



ERP Selection Process



What process did Northern Electric use?

- The first step in the selection process was to identify the software applications that we required in the ERP software.
- We wanted software that would handle the daily accounting functions of payroll, accounts payable, accounts receivable and inventory.
- Also wanted to move to a system that would allow NEI to become a paperless company. Document imaging and a system that provided a workflow system for document approval was important.
- Improving the financial information provided to management and project managers was critical. Having a program to create meaningful and timely financial report was needed.

ERP Selection Process

What process did Northern Electric use?

- Reviewing software provider information online was helpful to identify companies that offered the applications that we needed. By doing this we developed a short list of software providers that we wanted to seek more information from.
- Networking with other construction companies also was helpful to gather information on their experience with various types of software.



ERP Selection Process

What process did TN Ward Company use?

- Formed Committee – all departments represented
 - Accounting
 - Operations
 - Executives
 - Purchasing/Estimating
- “Wish List” created
- Research best in Class
- RFP sent to select vendors
- Evaluate/Interview
 - Talk to current users and ask for pain points and successes.
 - Log on to test systems and process transactions with different user groups
- Select and Negotiate final terms

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ERP Requirements



ERP Requirements

The ERP must support and serve the business needs and goals of the company

Functionality

- Business requirements
- Business process fixes
- Business process improvements
- New business process needs
- Data and Information

Deployment

- Ease of use
- Training
- Resources
- Customization
- Platform / Deployment models

Costs

- Software
- Training / Services
- Maintenance / Support

Future

- Support
- New Features / Functionality
- Solution Provider



ERP Requirements



What were the major requirements for Northern Electric?

- Having long term fixes to the issues that we had with the old software and also offering options to improve financial information and improve the functionality of the software was important.
- We wanted to improve the efficiency of the accounting department.
- Having software that is constantly being updated and improved was wanted by NEI to help extend the useful life of the new software.
- Being a smaller company we wanted a software provider who offered excellent training and software support.
- NEI does not have an IT department so we need to rely on the software provider for some support in training and help with various questions we may have.

ERP Requirements

What were the major requirements for TN Ward Company?

- Integration, Integration, Integration – largest problem was duplication of entry and related errors between operations and accounting
- Robust training and operational support – we have a lean staff and would need hand holding to go live
- Ability to create and modify custom reports – owners demand reporting that varies by job – need to be able to tailor to them

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ERP Requirements

What were the major requirements for TN Ward Company?

- Best-in-class payroll – as a general contractor with field staff consisting of multiple trades and unions need robust features and reporting
- Security to allow users to access all their own projects but nothing more with the ability to limit detail and summary reporting.

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ERP Implementation



ERP Implementation

- Leading and managing the change
- Staying close to the requirements
- Keeping business goals in mind
- Upper management support
- Celebrating small wins
- Employee motivation
- 90% of work to be done upfront – testing, planning, establishing processes, training, data migration, communication
- 10% of work to be done at go-live – transition



ERP Implementation

Describe the ERP implementation for Northern Electric?

- With the size of NEI we had a limited number of employees who were able to be involved in the implementation process and we knew this would be a challenge.
- We did try to develop a schedule for implementation over a five month period. It was a learning process and would change a few things if we had to do a software implementation again.



ERP Implementation

Describe the ERP implementation for Northern Electric?

- One thing I would change would be to focus more time early in the process on the core accounting functions.
- The applications that you use every day need to be tested and working correctly when you go live. Other applications not as critical would be tested and do the training later in the implementation process.
- Managing your time is also critical in this process. We all have a full time job to do and when you add ERP Implementation on top of your other duties it can become a little overwhelming at time.



ERP Implementation

Describe the ERP implementation for TN Ward Company?

- **Positives**

- Operations implementation staff was former General Contractor – understood our needs and methodology for forms, workflow, etc.
- Focus on setup and pretesting paid off at Go live – payroll, accounts payable, forms
- Support on site or available via phone during 1st few weeks of Go live.

- **Negatives**

- Lean staffing burdened our finance and operations teams at go live.
- Managing operations staff that pushed back from “the way things used to be”

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Business Process Fixes, Improvements and Introductions



Business Process Fixes, Improvements and Introductions

GAP Analysis – Business Process Re-engineering

- What are business goals?
- How do we do business today?
- Do current processes meet business goals?
 - What processes are broken?
 - What processes do we need to improve?
 - What processes do we need to introduce?
- How do other companies our type, size address certain process needs?
- What results shall we accept from these process changes?
- What impact these process changes will have on our business?

Key Business Process Changes

Key Business Process Change #1



- **Problems**
 - Project Managers struggled to manage costs, only received job cost reports monthly and contained very little detail.
- **Solutions**
 - Cognos and customized interactive reporting allowed us to effectively organize and sort data in an easy to use format that can be viewed at any time and allows our PMs better tools for managing their jobs
- **Results**
 - Increased Profit Margins, better communication, less paper waste

Key Business Process Changes

Key Business Process Change #2



- **Problems**
 - Purchase order numbers were claimed in a spreadsheet and there was no tracking of actual orders
- **Solutions**
 - eCMS Purchasing module allows line item detailed entry and cost entry from supplier quotes allowing us to verify pricing, receiving and shipping locations. All detail is then created in job cost that our PMs can view.
- **Results**
 - A streamlined purchasing system, we can view committed job cost prior to any invoices being received, and a more detailed job cost.

Key Business Process Changes

Key Business Process Change #3



- **Problems**
 - Difficult in old software to setup and update prevailing wage rates for payroll.
- **Solutions**
 - In eCMS the rate setup for each job is simple and with the correct setup of employee fringe benefits in HR the calculation of the employee's hourly rate of pay works accurately.
- **Results**
 - Less time spent updating employee rates of pay and accurate payroll checks.

Key Business Process Changes

Key Business Process Change #4



- **Problems**
 - Employees calling HR requesting various information, available vacation hours, requesting form and requesting copies of payroll checks / W2s.
- **Solutions**
 - Using HR Self Service, Employees can access online HR information anywhere.
- **Results**
 - Saves time for HR employees and allows all employees to access HR in the evening or on weekends.

Key Business Process Changes

Key Business Process Change #5



- **Problems**
 - Inventory management and correct cost coding.
- **Solutions**
 - With eCMS we can better manage inventory quantities and unit prices
- **Results**
 - More accurate job costing

Key Business Process Changes

Key Business Process Change #1

- **Problems**
 - Duplicate Entry in Operations software and Accounting
- **Solutions**
 - New ERP has single entry for subcontract/commitments
- **Results**
 - Reduced time lost for duplicate entry and opportunity for related errors.

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Key Business Process Changes

Key Business Process Change #2

- **Problems**
 - Lack of timely reporting – executives having to ask for reports and wait for them to be manually created and modified from varied sources
- **Solutions**
 - Build on “canned reports” from ERP and customize for our needs using Cognos business intelligence.
- **Results**
 - Executives receive consistent scheduled reports without the need for accounting manipulation.

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Key Business Process Changes

Key Business Process Change #3

- **Problems**

- Accounts payable paper workflow is prone to delays and inefficiencies. Paper sitting on desks.

- **Solutions**

- Incorporate imaging and workflow that is part of the ERP to eliminate paper process and create trackable paperless approvals

- **Results**

- Current initiative – we have spoken with our peers on the same ERP and seen their successes and are currently working on building out our workflow processes.

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Achieved Results



Achieved Results

- Operational and Financial Performance Improvements
- Productivity Enhancements
- Efficiency Gains
- Effectiveness
- Employee Morale
- Reduced Costs
- Increased Margins
- Competitive Advantage
- Upper Management Satisfaction



Achieved Results For NEI

- Since 2011 we reported sales growth of 56%.
- Transparency in Purchasing, Accounts Payable and Receiving has eliminated errors in overbilling from vendors, suppliers and subcontractors.
- The Job Cost and Custom Reporting features has allowed us to take an even more proactive approach to Project Management and Estimating
- Human Resources Self-Service has reduced the amount of inquiries to our HR Personnel freeing up their time from distractions.
- Using Imaging we were able to eliminate paper filing.
- Payroll has eliminated many errors we used to have



Achieved Results for TN Ward

- Operations reporting is now self serve – no need for accounting to serve up manual reports. Efficient use of time In both departments
- Scheduled executive reports with company wide info (Receivables, Cash Position, Unsigned subcontracts, etc.)
- Elimination of duplicate entry freed valuable time for accounting department. Doing more with less.
- Custom reporting for owners easier and customizable with business intelligence.

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Recommendations and What's Next



Recommendations

- Allow adequate amount of time to complete the entire process, from reviewing software providers to the time you go live on your new system. It is an investment in the future of the company.

What's Next

- Continue to develop our current software to provide improved information to guarantee the future success of Northern Electric.



Recommendations

- Change is good
- Get organization-wide buy-in
- Focus on the business needs and alter the technology to meet those needs
- Technology must be flexible to support business needs
- Ability to access and leverage your integrated data

What's Next

- Paperless AP process workflow
- Improved reporting and analytics – both content and speed.

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Thank you!



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