Mike Merrill:
Hello, and welcome to another episode of the Mobile Workforce Podcast sponsored by AboutTime Technologies and WorkMax. I'm your host, Mike Merrill, and we are sitting down again with the famous or infamous, however you want to look at it, John Meibers, the vice president at DelTek + Computerease, is a construction management software system. And John was on episode 20 and we discussed the most common accounting mistakes made by construction companies and their CPAs. So if you haven't listened to that episode, we encourage you to go back and take a listen. Thanks John, for joining us today. Looking forward to talking with you again.

John Meibers:
Yeah, Mike, thanks for having me. It's always good to chat.

Mike Merrill:
Awesome. So one of the main things we talked about last time we had you on was the Ultimate Construction Accounting Guide. Can you just give a little bit of a background on that report for the listeners that may have not heard episode 20 yet?

John Meibers:
Sure. So, we get asked a lot of times, especially on the maybe the smaller end of the contractor market that we service how can you help us be a better contractor and help us put together kind of a how-to or a playbook best practices for construction accounting. And there's a lot of things that those of us in construction maybe take for granted, those of us that have been doing it a while, but there are things that, especially as you're starting maybe a new construction company, or even if you've been doing it for a while, it's always good to hear what the best practices are and this guide kind of walks you through what you should be doing.

John Meibers:
And, we feel very strongly, I know you do as well, Mike that construction is very unique and the industry we service is very unique and there're some things that are unique to our industry that don't apply in other industries. So we want to be able to walk you through this guide on what you should be prepared for in construction accounting, not just accounting in general, because there's a lot of good folks in accounting that have a lot of knowledge but don't have that construction-specific feel to it and knowledge. And that's what that guide brings to the table is guides you through the construction accounting process.

Mike Merrill:
That's awesome. It's a great resource. So if I were to summarize that guide, is there one main theme or takeaway that you think people will get from that when they walk away?

John Meibers:
Yeah, I think what kind of tool you should be looking for, the things that should help you in your business and how to be forward-thinking and being able to forecast and project and predict where you're going to go, how to use the information you have available today to predict where you're going to be. Because the biggest challenge for a contractor is spotting a problem before it occurs. And if we can do that and we can minimize the damages, the loss, minimize the risk, we're going to come out on the right side of this thing.

Mike Merrill:
That's great. It's a great guide and again, very intuitive and insightful for those that haven't read it yet so I encourage you to do so. One of the other things that you talked about in the guide were basically it listed off nine mistakes that are common. Are there any of those that you saw repeat themselves in 2021? What's the

main things that you're seeing companies still struggle with out of that list?

John Meibers:
Yeah. I think that the biggest one and it's always been the case is assuming that the dollar spent on an item or a job is a whole, the percentage of dollars spent is equal to the percentage of the work that's done. And that's the biggest misconception is that if I've spent half of my budget, I must have done half of the work and that repeats itself over and over and over. And it's really important to know that you spend half the budget, but then in parallel to that, okay, well, how much work did I do for half of the budget that I spent. And very rarely if ever is it the same and that's a mistake that people unfortunately make because that's the easiest way to look at it. Well, I spent half the money, so I must be 50% done. And in most cases, in almost all cases in construction, very rarely true.

Mike Merrill:
Yeah. So you're basically talking about a WIP report, Work In Progress, right?

John Meibers:
Yes. Yeah. The WIP report is the backbone for a contractor and that's what we typically see, especially those growing contractors struggle with. Maybe they're going to get bonded on a job for the first time or need to get bonded and the surety underwriter wants to see not only a financial statement, but the corresponding WIP report that backs that up. Maybe you're going to the bank for the first time to get a line of credit or maybe you're going to sit down with the banker and increase your line of credit. And unfortunately, as we all know in construction, with cash flow being what it is in a lot of cases, we need that line of credit a lot of times. And the first thing the bank wants to know, "I want to see your financial statement, but I want to see the corresponding WIP statement that goes along with that."

So that's something that as a smaller contractor. A lot of times you're not dealing with that. You haven't been required to produce that WIP report. And if you haven't done that, don't understand the process, you really need to learn how to do that. And that's a lot of

what we cover in that Construction Accounting Guide is how do you go about implementing a good, sound WIP process within your organization?

Mike Merrill:
Yeah. Great direction, appreciate that. So what ways are technology helping companies to create that accurate WIP report?

John Meibers:
So, the ability to get data from the field real time and real time job costing is at the center of everything. And whether it's getting time in on a daily basis. Obviously Mike, that's what your company does and at WorkMax is a great tool to allow for that. But I need to be able to get that data in from the field, into the accounting solution, into the ERP solution back in the office real time so I can look at the job today and not have to wait until payroll is run a week from today before I get updated information. So if I have real time information and that starts coming in from the field, then I'm also, when I'm out in the field, I'm updating what we've done. And it's not I got a crew and I have five people on a crew and we all worked eight hours day. Well great, that's 40 hours. Well then as a crew, what did we produce?

Because very rarely are the units one-to-one. It's not that okay, if we're on the same crew out there, Mike, it's not like I did a unit and you did a unit. It's collectively, we did X number of units. So in addition to getting the time in, I need to report those units and that unit drives the percent of work that I've done. And then obviously the hours drive the percent of the budget that I've spent.

Mike Merrill:
Nice. So you're saying let's get some real time accuracy for the actual time and attendance, but on the production side, maybe the foreman or the crew leader, he's going to put the total in for the whole crew and then the WIP report and the job cost reporting will be able to break up those units per guy.

John Meibers:

Yeah, it's all driven from that. You get production reports so right away as the site's super I know that, okay, we were supposed to do 10 units an hour. And today our crew only produced 8 units an hour. I know I'm going to be behind right there. And then that all feed… Because then the WIP report can be driven of the units. It'll say, if we've done 10 of a 100 units, we've done 10% of the work. And then the hours being recorded, will say, well, but you've spent 20% of the hours. We've got a problem.

Mike Merrill:

Love it. So, you're saying if you've got a tool, a mobile application that can collect real time numbers, labor, et cetera, then would you run those WIP reports daily, weekly? How often should companies be running those?

John Meibers:

Best practice I think is weekly. You're going to look at the information daily certainly and look at the job cost report on a daily basis. But I always tell people at a minimum, you should be doing it monthly. You need to prepare a WIP report monthly, but best practices are probably biweekly or weekly. The best in class contractors that I work with are doing it weekly. They're having weekly production meetings, taking all that real time data, sitting down and going through job by job and doing the WIP process on each job and determining where they're ahead or behind. And obviously then focusing on the areas where they're projected to be behind schedule or under producing.

Mike Merrill:

Great. So now, as we're kind of wrapping up 2021, we're getting into 2022, are there some key roles or gaps in accounting teams or in company's accounting staff that you're seeing gaps in or areas that are maybe underserved from a labor and effort standpoint?

John Meibers:

Yeah, I think there's a big, and not just in construction but I think in all industries, there's been a big… so we're coming out the pandemic. There's a lot of people moving in the workforce, the great resignation we talk about and there's a lot of people moving and that's certainly in construction. I'm getting more and more people that have lost key accounting people within their organization. And that's really tough because once you have somebody that really understands your process and especially if it's a manual process. If you've been doing it and I've seen a lot of contractors that have homegrown, maybe be they're using a generic accounting system, they've got a homegrown WIP process and they're doing okay with that. But the problem with it being homegrown is when that person that built that is no longer there now nobody understands it. And so we try to make it kind of a uniform process and use a tool that makes it repeatable.

But we're seeing a lot more turnover, certainly in the field, we've had a labor shortage in the field in construction for a long time. And I don't think that's going to end any time soon, but now we're starting to see that as people are moving. I'm getting calls every day from somebody that used to be a controller or a bookkeeper at one construction company now they're at another company and now the other company is struggling to replace that. So I think we're seeing more of that people moving jobs and on the inside part of the business.

We've had the field labor shortage for a while and, like I said, we need to… I know we've talked about some things we need to do to try to improve that. But now we're seeing that within the construction organizations themselves. They're losing sometimes some key people, which makes it even more important that you have a best in class repeatable process that you can plus somebody else, somebody new in that role and have a very short learning curve to get them up to speed.

Mike Merrill:

Yeah. And I'm also hearing you say the backend system where those processes that you're dealing with, those solutions, need to be not only standardized, but accessible from wherever the new staff is at, if they're remote, if they're in the office. So cloud-based or cloud-hosted at the very least sound like a requirement.

John Meibers:
Absolutely. More and more companies obviously are going to remote offices, which is great. It's one thing I think that, coming out of the pandemic that we're going to see not continue is we have the ability to work remotely. Obviously the field workers in construction, they have to be on-site, but the office staff can be anywhere. And when you open up the potential pool of potential employees to be not just who are in your local geo, that brings a whole lot of talent to the table that you can bring on.

And companies that are adopting that are going to be I think better equipped to handle that kind of situation when they're not just looking in their 30 mile radius of their brick and mortar office, they're now looking across the whole country for somebody to fill that role. And having their ERP solution in the cloud, which certainly one of the things... We've seen a big, big push to the cloud, even pre-pandemic but certainly during the pandemic and almost all of the new customers we bring onboard today are in our cloud hosted environment, because they want that remote accessibility amongst all the other things, security and everything else that comes with that. There's the advantage of being able to work from anywhere. And on top of that, it's certainly far more secure than anybody would be able to do themselves in their own office.

Mike Merrill:
So that's a silver lining in this cloud that's been hanging over our heads. What are some of the dark and stormy clouds that are still lingering there? What are the challenges that you're seeing coming into this next year still?

John Meibers:
Yeah, so I think the biggest challenge in construction is that is the shortage of field labor. That's a thing and it's strange how it's all connected. The people in the office want the flexibility, being able to work remotely, the people in the field want the right tools. If you're asking me to submit my time on a daily basis or do my daily field report as a site superintendent, or as just a tradesman out in the field, I need you to give me the right tool.

John Meibers:
And seen some tools that aren't very useful. We still have a lot of people in construction, they don't have any tools. I still have a lot of people, where we're doing our time sheets manually, or we're doing it, we're texting it on our phone or we don't have an app to do that. So I think if you're going to attract the right talent and them, you got to give them the right tools, make their job easy. If I'm the site superintendent, let me put in my time, let me fill out my daily field report and click a button and send it to the office. And let me be able to get reports coming back. Let me see my production report coming from the back office, from the ERP solution back out to the field. So I think giving them the right tools is going to allow you to be that best in class employer and attract the right talent. Because to me, the big dark cloud hanging over construction is the labor shortage in the field.

Mike Merrill:
Yeah. That's a great point. So, then also, you're talking about field data collection, obviously you know that one's near and dear to my heart here with what we do every day. But the other thing about it, especially when you have a more remote workforce or when you have people in satellite offices, so to speak, they're no longer there to have that information handed to them. They may not know these individuals. Even if they saw a picture, they may not necessarily know them by name. So tools like facial recognition, biometrics, geofence, GPS, those other things that can validate that data that comes in no matter where somebody's processing or managing it would be even more critical, I would think. Would you agree with that?

John Meibers:
Yeah. I think that's a great point, Mike, because that's extremely important. In today's construction company, we don't know the people probably personally like we used to in the past, so right, all those things are really important so that we can... And especially if the office staff is more remote and has the ability to be more remote, they're not going to see these people, but they need to be able to verify that they are who they are and everything you mentioned with the facial recognition, geofencing and GPS, all those things just help us validate who we're communicating with out in the field.

Mike Merrill:
That's great. So as far as going into the next year, and we talked about one of the challenges are the dark cloud, so to speak, and also the silver lining of being construction companies have become better at working remotely and collaborating remotely. What else do you think is critical as we're moving into this next year that companies really need to get behind and start focusing on more seriously? Is there anything that you could recommend?

John Meibers:
Yeah, I think, and they're all related, but if I'm having trouble with getting enough labor in the field, I need to be more selective on the jobs I choose to bid on. So I need to really be able to understand where I'm profitable and where I'm not. And so I got to get to a level, and maybe a deeper level than what I'm doing today, of understanding my business and knowing where I should focus my efforts. Because I can only do a fixed amount of work based on the resources I have because almost everybody I talk to will say, "Hey, John, we could take on more work if we have more people, but we can't."

Well then, okay, well, how are you choosing which work to take on and which work to turn away? So you really need to get to another level with your job costing so that you can make those intelligent decisions and not just say, well, we'll take this work and we'll not take this job. Let's base that on some really sound data and if you have the right job cost process and system and are getting enough real time data from the field, use that data, not only to manage the job that's ongoing, but use that data to make decisions on what job you go after next.

Mike Merrill:
That's great. Very insightful. You talk to a lot of people.

John Meibers:
Yeah, a lot of people. It's what I love. We've got a whole team of construction experts over here, Deltek + Computerease and you know me, I just love talking shop and love talking to contractors and it's what I've been doing for 30 some years, and whether it's existing customers, potential customers. We just launched our

construction accounting university series. It's a whole series of teaching contractors about the construction accounting practice. So it's kind of the next generation of the Construction Accounting Guide. We now have an actual educational webinar series. And the response from the construction community has been fantastic.

John Meibers:
And there are some existing customers of ours that are attending, but a lot of people that we don't know and we're just happy to provide that content because I really, truly believe, as construction goes, we all go. So, we're all invested in this construction community and certainly at the end of the day, we're going to do business with a lot of people. And I know your company's the same way, Mike, but it's the reason you have this podcast series. It's a great way to just share information with the construction community as a whole, because we're all invested in that. And it's what we love to do.

Mike Merrill:
Yeah. I love that. Yeah. I appreciate your efforts and of course the friendship and relationship we have, both business and personally. You've been a good friend over the years, many, many, many years already.

John Meibers:
Yeah, no, it's been a great relationship and hopefully we're both going to be doing this for many, many years to come.

Mike Merrill:
I plan to. I don't have any more hair to lose, so what do we have to lose, right?

John Meibers:
Yeah, I'm with you on the hairstyle so yeah. I've already lost the hair so we're just going to sit... And to me, like I said, I love construction. I love the people in construction. I know you and I have talked about this many times. It's just a great industry to be involved with. And I love doing it and I love helping all of them, and whether you're a customer of ours or not, I love

sharing these best practices, these concepts and really help everybody be successful.

Mike Merrill:

Yep. These are our people. Well, this has been a great conversation again today. I've appreciated it. I guess, last thing. Is there one takeaway from today's conversation that you'd really like to leave people with before we end?

John Meibers:

Yeah. I think just, and I hate to keep coming back to the labor shortage but I have to, but think about, as a construction company, what you can do to provide the best work environment, to attract the best people and retain that best talent. And that's everything from technology to just your culture as a whole. And if you do that, and keep in mind, the best referral source for you are your existing employees who know other people that work in the construction industry. Make your company the company that everybody wants to go to work for. And I think you do that by best practices, the right technology and all these things we talked about. If you do that, people will want to come to work for you and that'll help your individual construction company overcome that labor shortage.

Mike Merrill:

Great. Well, fantastic advice. Thanks again, John. We'll do it again down the road.

John Meibers:

Sounds great, Mike. Great to talk to you as always.

Mike Merrill:

All right. Take care.