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Craig Hurst

**Mike Merrill:**

Hello, and welcome to the Mobile Workforce Podcast. I'm your host, Mike Merrill, and today we are sitting down with Craig Hurst. Craig is the director of client success at The Net Effect. And in today's episode Craig and I are going to talk about technology and the role that it plays in construction's future, as well as how our favorite neighbors to the north up in Canada are making sure that their businesses are up to speed with technology. And why paperwork kills new employee prospects as well, and also how we can help eliminate unnecessary processes and extra steps to increase productivity with technology. So thanks for joining us, Craig, looking forward to the conversation today.

Craig Hurst:

Me too, Mike. Yeah, topics that I love to expound on.

Mike Merrill:

Yeah, I'll bet. I read up on you a little bit and you're pretty well versed on the topic, so I think I got the right guy on the episode.

Craig Hurst:

Yeah. Thanks, thanks.

Mike Merrill:

You bet. So let's start off with this, how important do you think technology is for a contractor to stay in business today?

Craig Hurst:

Technology's at the point now that if contractors haven't adopted the right type of technology and are using it diligently, they just don't, they're not competitive anymore. They might be in a very small environment, a small marketplace if they've got a little niche they might be able to get away without utilizing

technology. But really if they're doing anything, when I say small I'm talking they can get away with that if they're less than 10 employees. As soon as they break that threshold they really need to be able to figure out how to make their businesses more efficient, more profitable in order to remain competitive.

Mike Merrill:

Yeah, and if I'm reading between the lines in your statement there, you're really talking about production, you're talking about being productive, right?

Craig Hurst:

Yeah, productivity is a number of different factors being brought together. So they've got to manage their people, they've got to manage their inventory or purchasing, they have to do some just in time things although these days supply chain is difficult to manage, too many external forces come into bear on their materials, acquisitions and so on. But productivity is also working efficiently so that a project, you sit down, you do the extrapolation in terms of how long a project's going to take, you want to make sure that you're coming in on time and on budget today. Because if you're not you're not going to stay in business very long.

Mike Merrill:

Yeah, you said the magic words there on time and on budget, and I can't think of anything more than technology that has an impact on making sure that's the case, right?

Craig Hurst:

Certainly. I mean like I was mentioning, the external forces of supply chain may not enable that these days, but the fact of the matter is it is improving, supply chain is improving. And now it's a matter of making sure that you've got the data to manage, the data

inputs to be able to manage on time and on budget effectively, efficiently, and accurately. All those things are a little bit different, but they all blend together to give you and your customer a positive result at the end.

Mike Merrill:

Yeah, I think you're right on that. And I know you mentioned the supply chain challenges, of course that's added to a lot of backlog. And I was just down in Phoenix, Arizona last week and talking with quite a few customers down in that marketplace, and one of the common things that I was hearing from all of them was yeah, our backlog is less than it's been in a couple of years now, and it's actually been a much needed relief for them. And it's giving them a little bit more time to go back in and sharpen that ax blade so to speak and kind of improve their processes once again. Would you agree with that?

Craig Hurst:

Yeah, very much so. And I think one of the other factors that has changed and improved over the course of the last, we've seen it a lot over the course of the last year, is as the supply chain is catching up to the reality of project timelines, contractors are able to be more accurate in their prediction of costs. So if we take a look at what was happening in 2020, a contractor who put out a bid in January for a job that didn't get started until April was looking at a huge cost factor that wasn't part of their calculation in the first place. And that calculus was constantly being challenged, and today it's a lot less so.

Mike Merrill:

Yeah, I would agree with that. So now you mentioned this technology, I guess it's not even a wave, I mean it just keeps coming. It's really not a wave, a wave maybe comes in and comes out, I mean it never stops. It's amplifying and streaming more rapidly than ever, so how important is it in your opinion to hire people to fill a role as a technology specialist within a construction company? Is that something that you're seeing happen and how important might that be?

Craig Hurst:

Yeah, that's a really good question, Mike, and it is something that we take a lot of time to look at within the work that we do at The Net Effect. And don't take my word for it, there's a report that was put out by KPMG in the fall of 2020 talking about timing of all of this around the pandemic and so on. But in that report they talk about the fact that if you are going to be successful in adopting new technology in the construction industry, you really need to identify your digital team. Your digital team, it doesn't mean that if you're in a small to medium size category, and for the sake of this discussion I'm going to define small as less than 100 employees, that's what we define it as in Canada at any rate.

Craig Hurst:

And if we're talking about small companies having a digital team doesn't mean you have to go out and hire a CIO and somebody who has their master's in computer science, or software engineering, or anything like that. It means you have to gather a group of people together that have a keen interest and a spirit for technology adoption. They can still be, somebody will have a site foreman or these days, young kids laborers that were hiring, they're coming out of a world where they spend a lot of their time playing video games, and texting on their phone, and communicating in ways that many of us in this conversation didn't think about when we were coming up. But the fact of the matter is that technology adoption and building that team that understands it and are the drivers of it within your construction company is really critical. And there's a number of tasks, there's a to do list that they have to follow. But you put that core team together you're likely to have technology success.

Mike Merrill:

Yeah, I think you're really onto something there. And you highlighted these younger, these more youthful individuals that are coming out of college and high school with a tablet or a smartphone in their hand, how much as an industry do you think we're detracting from the ability to hire talent coming out because there are not places where they can leverage this technology that they depend on?

Craig Hurst:

Well certainly the small contractor who's still utilizing a lot of, I'm not going to accuse them of using paper, but they're using analog systems. And when I talk about analog systems a lot of contractors come to us and say, well we've embraced digital technology. Well what have you done? Well we use Excel and we use QuickBooks. And nothing against Excel and QuickBooks, I still use them every day too, but that's still an analog mentality, and because you can't share it and utilize it across your workforce. So bringing on products like WorkMax for time management, material management, equipment management tracking is vital to what the up and coming talent that's coming into the construction industry are looking for. They don't want to sit down and write out their time on a piece of paper.

And we kind of joke around in our circle about how time sheets still come in on bar napkins because the guys were in having a beer on Friday night and the site foreman and said, hey guys, I need your time sheets. And lo and behold they're written on bar napkins. And that's still the truth in a lot of cases these days. But today's young talent is coming in with an iPhone or an Android phone in their hand, we give them the capability of logging in and utilizing that in order to put their time cards in, it can be done in real time and they love it.

To a certain degree, sometimes they fight it, there's always going to be a little bit of the big brother watching kind of mentality, but once they adopt to it and once they see the benefits, hey, my time card was accurate, it was easy for me to do, the boss gave me the right amount of money on next Thursday, all of those kinds of factors start to kick in and they don't have a problem with it. But if you don't have that, if you're still expecting them to do it on the bar napkin you know what, they're going to give you the wrong numbers, number one. They're also going to give them to you slowly. And then the cost of gathering that information and inputting it into your payroll system, into your accounting system, is really quite tremendous. I know that sounds like a sales pitch for WorkMax, but that's the reality of what's happening in the field right now. Let's cut out all of the delays and the inaccuracies, let our young workforce do the kinds of things they like to do and make the business more efficient, more profitable at the same time.

Mike Merrill:

Yeah, you said a lot of great things there, and not just because you were highlighting WorkMax, but I think we went on this mission almost 20 years ago to try and get paper and spreadsheets out of people's hands. And back then you really had to do a great sales job to convince people to take a hard look at something like this. But to your point, in this day and age they're going to look at you cross eyed if you don't have apps, and mobile tools, and more of that real time experience like they have in all the rest of their life outside of work, wouldn't you agree?

Craig Hurst:

Yeah, absolutely Mike. And the other side of that is that the building owner that's hiring the construction company is going to look at the construction company that's still working in an analog environment and question whether or not they've got the capability of successfully completing the job. So if you are still an analog contractor you've got issues on both sides. You've actually got issues on a 360, there's not two sides, you've got issues coming at you from 360 degrees. Because suppliers are not going to work efficiently with you, your permitting process is not going to be efficient, every aspect of construction is going to be delayed or destroyed if digitization is not adopted.

Mike Merrill:

Yeah. So you really, I mean you're on a mission it sounds like as well to educate, and to help, and to mostly advise and improve people's experience. And I'm curious, obviously we brought you on to talk about what Canada's doing to help contractors to solve this problem maybe that haven't been able to get to it in the past, what can you tell us about that and what can they learn about the opportunities that may exist for them up in Canada?

Craig Hurst:

Yeah, for your Canadian audience if they're not aware of a program called the Canada Digital Adoption Program they need to be. The Canadian government in their budget in 2021 announced a \$4 billion program to help small to medium size enterprises, not exclusively in the construction industry obviously, I mean

manufacturers, restaurateurs, you name it, anybody who is a small to medium size enterprise in Canada can apply for these funds. And the funding comes in two different stages.

The first stage is they apply for a grant of \$15,000. Now that's a lot less in Canadian dollars than it is in US, but the point the, or a lot less than US dollars than it is in Canadian dollars, but the point is that \$15,000 is a grant amount that is given to that small to medium size enterprise to engage a company like The Net Effect to come in and produce a digital adoption plan, it's just the plan. And in the world of construction we know that if you were to go out and put together a building or remodeling, whether it be residential or commercial, if you don't have a plan, you don't have a blueprint, you're not going to go very far, and it's probably not going to work out the way everybody thought it was.

So the government has recognized that's really important, too much of the digital adoption or digital acquisitions that people have done over the years has been what I call the shiny penny purchase. They've got a little bit of a problem, they know they need to get it fixed. They go and Google construction technology, they take a look at two or three applications, and the shiny penny is the one that gives them a 30 day free trial and it looks like it's going to really solve their problem. And then they acquire it without having a plan for it. Well guess what? It either doesn't do exactly what they thought it was going to do, or it's going to take them more to implement it than they thought. So the government has looked at that kind of a process and said no more, \$15,000 will go a long way towards putting a good blueprint in place for construction technology adoption.

So that's been a great program unto itself, and then on top of that we have an arm of the government for small to medium size business development called BDC, I just want to use the acronym, Business Development Canada. Which is basically commercial bank and provides loans to small to medium size enterprises in Canada for in the case of technology adoption up to \$100,000 for the implementation of the digital adoption plan. So it's a great program, it's just started. I say just, it started on the 1st of March of this year 2022, and is now taking off. And a lot of construction companies are taking advantage of it, and consequently we at The Net Effect are super busy right

now, trying to keep up with the demand for creating digital adoption plans.

Mike Merrill:

So that makes me curious, it's very interesting that the Canadian government has recognized this type of a gap and how important it is to fix, even ahead of maybe what some contractors have recognized on their own that are entrepreneurs and trying to run their own business. What do you think about that?

Craig Hurst:

Yeah, I think many contractors recognize the need to adopt technology, there's no doubt about that. However, I think going back to what I just said about not having a plan and making shiny penny acquisitions, what this is doing is it's helping them realize that that's not a good way to go. And they've been doing it for so long or they've been working with plans in the construction building business, they've been working with plans in the building business but yet in their own business they haven't bothered. So all of a sudden yes, the money is there, the funds are available to make that happen, I think the government recognizes that in as much as we think about infrastructure as being roads and bridges and those kinds of things, technical infrastructure is just as important for building our economy as the heavy construction form of infrastructure.

Mike Merrill:

That's a great point, I don't think anybody has said that or shared that on the podcast before from that perspective. But I think you're absolutely right, the digital infrastructure to run your business could be even more important than the physical structure that you're building.

Craig Hurst:

We work with, we have a lot of clients that are in the excavation business as an example, and the excavation business is heavily dependent on their equipment. You've got to have the trucks, you've got to have the graders, you've got to have the backhoes, you've got to have all of that. But yet we have seen companies, they didn't change a single piece of equipment, but the

introduction of the technology infrastructure has vastly improved their productivity and their profitability. Same number of employees, same number of pieces of equipment, but bring in the technology to make it make sense and next thing you know the business is doing a whole lot better.

Mike Merrill:

Wow, that's fantastic. What do the Canadian listeners have to do to take advantage of this and get started leveraging this if they're not already doing it?

Craig Hurst:

Well I'll repeat the name of the government program, it's the Canada Digital Adoption Program, short form everybody's calling it CDAP, but Canada Digital Adoption Program is what you want to Google if you want to find out more about it. And otherwise you can go to TheNetEffect.ca, and you'll find us and we'll be happy to help you walk through the application process, better understand how the grant and the subsequent loan will work for you, help you find the direction and put everything in place in order to acquire those funds. So whether you go through the government route or whether you come through our route, the net effect will be exactly the same.

Mike Merrill:

Perfect. So obviously this doesn't necessarily serve as directly the listeners here in the United States, but what do you think the listeners down here can learn from this program and what you're seeing and experiencing firsthand?

Craig Hurst:

The thing that I think an American audience can learn from what we're talking about is the fact that a good plan is essential for your technology adoption, and it really on the grand scheme of things is not all that expensive. As a matter of fact, it's more expensive not to do it. We have seen many, many cases where people have tried to improve their technology, reduce their pain points, bring something on that's going to help them organize their projects, or their human resources, or their health and safety or whatever, and have done so without a plan and wind up spending far

more than what they needed to in order to accomplish their end goal. So if we take a look at the relative value of putting a good plan together, and we're putting good plans together for large contractors, and doing so in that \$15,000 range. It's a very small investment by comparison to what it costs you to not do it properly. And so that's one thing.

The second thing is once you have your plan in place, part of the plan needs to be your investment strategy. Take a look at how much it's going to cost you in the short term, medium term, and long term, and make sure that you're getting a return on investment for that money, for those inputs. Because you will, and most of the applications that are out there are going to be very measurable in terms of an ROI. And I think that if things are put together properly, it doesn't mean that you have to go out and do it all on day one either, quite often it becomes a big expense or a big, I guess it's an aggravation more so than an expense, but to try and do everything at once and not manage change properly is usually going to cause lots of disruption and lots of problems.

So you want to take your pathway to digital adoption one step at a time. And you don't fire up the Ferrari and the next thing you know you're doing 60 in four seconds. If you're an excellent driver and you've got lots of experience you can do that but you want to learn, a term that we use around our shop all the time is you got to crawl, then walk, and then run. And if you start off trying to run chances are you're going to trip and fall. So those are some points I think are really important for any contractor to think about as they're looking at it.

Mike Merrill:

Yeah, those are some great points. So in your mind when you think of low hanging fruit, what would be a phase one entry level digital adoption that somebody could take advantage of with less pain than maybe something big?

Craig Hurst:

Well that's a really great question, Mike, because although you've talked about step one a baby step get used to the idea, but I think you need to take a look, first thing that you need to do is you need to

sit down and look at your business plan. What is it that we want to try and accomplish? And we talk with contractors and business owners day in and day out, and the first thing that we ask them is what is your exit plan? Well if it's somebody that's just gotten into the industry they're not about to say my exit plan is to retire in three years. Maybe it is, but the point is that when we're often dealing with older, more established companies the owner is saying, hey, you know what, I want to be out a year in three to five years. Or they may say you know what, I want to increase my bottom line, not necessarily my top line. But I want to increase my bottom line by 50%. Or I want to increase my top line by three times.

All of those factors get taken into account when we're talking with people. And at that point in time we're able to say okay, now that we understand what your business strategy is, let's start to put together your technical strategy. And the first step that I always recommend is the next, or the next activity that we take a look at is we start to examine their profit loss statement. Where are your expenses? What are you spending money on? Because there's no point in trying to fix a problem that you're not spending any money on. Well I could pretty well be assured that it's going to be on human resources, materials, and equipment. So the first thing that one needs to do, we refer to that as LEM, labor, equipment, materials. So I would always recommend that somebody take a look at how they can start to control the LEM in their business, because that's probably where they're going to get the most bounce for the buck.

Mike Merrill:

Well and I think your acronym LEM labor, that is the largest variable expense in most cases because you can't necessarily predict the future with a crystal ball to know exactly where that's going to end up when you start. You mentioned beginning with the end in mind as far as an exit strategy, but I think just as a role and a great business principle is you need to think where is it I'm trying to go, and then you can establish your path to get there. And if you don't know what your labor's going to be, well then you got to figure out how you can get a choke hold on that and at least have a better way to monitor that as you go.

Craig Hurst:

Right. And then once you've got the ability to monitor that you've got the ability to relate that to other data that you bring in. So as an example, if you're an electrician and you put your workforce out into the project environment as opposed to service environment, but they're putting a house together and you've got the ability to accurately track or measure your labor input. And you know that team of three electricians went in and they installed the panel, and they installed X number of duplex receptacles, and X number of light switches, and so many fixtures and so on and so forth, if you've got good quality tracking and good quality data in terms of what you put in, you've got the ability to have a better prediction of what's going to happen on your projects in the future.

Mike Merrill:

Yeah, you're talking your production rate, your productivity per hour which is dollars per hour produced for what you can charge for.

Craig Hurst:

Right. And so the next project that you do, you've got a better handle on how much it's going to cost to do that project. So two benefits are going to come from that one, is that with that better handle profitability is going to potentially increase. The second benefit is that if you're really, really sharp with your pencil and your data, you've got the ability to put in a better bid than your competitors do. So you've got a double win when you start to manage that data more effectively.

Mike Merrill:

So do you have any stories you can relate to customers you have helped on this journey and maybe what they saw happen, what was surprising to them, or what they learned as they went through this?

Craig Hurst:

Yeah, I think the strategy that needs to be put in place in every case is I come back to that issue of having the plan or the blueprint. And we had a recent situation with a client who had purchased an application, a really good application in terms of its functional capability a while ago, but the problem was it was far more

complex and far more difficult to use than they had the internal expertise to utilize it. So they struggled along, they struggled along, they spent a lot of money, they spent a lot of time, approximately two years, and a lot of sweat equity went into an aggravation I guess, as much as sweat equity went into trying to make it happen. And then they came along to us and said you know what, can you come and fix this? Well we took a look at their situation and we came to the realization that we have an internal philosophy that we try not to throw babies out with the bath water as much as possible.

So even though we came in and we were trying to apply that philosophy, we came to the realization that client just had the wrong application because they didn't have a plan and they got it. So we tore everything down mentally and started to rebuild it, and came to the realization that for this particular contractor the best thing was to replace that application, put a complete design around it, it had one of the things that we always shoot for is one source in and one source out in terms of the information going into the system and the reports and the other forms of information coming out of the system. And so we were able to take that simpler application and a couple of other added apps as well, pack them around the new project management tool, and then really build a great system for him that he can operate, that's made his business much more efficient, that is enabling him to think about the future, instead of thinking about how do I get this system to work for me? And that was a good experience.

Mike Merrill:

That's a great example, and I think that just speaks to the importance of everything we've been talking about today. I love your direction to have a plan, begin with the end in mind, and then like you said, just stay focused and execute on how you're going to get to that ROI on that plan, right?

Craig Hurst:

Absolutely, absolutely. That's key to everything that you should be doing.

Mike Merrill:

Well this has been a fantastic discussion. I've got just a couple other questions here before we end off. But I just thank the listeners for tuning in and I hope that those of you that are from the Canadian provinces, that you look up The Net Effect and take an opportunity to receive some of their direction and advice, and take advantage of these programs that are available to you. For those of us here in the United States, let's learn from the example of the importance of investing in proper technology and that infrastructure, not just the physical infrastructure that we're always building and working on. So to wrap up again, Craig, this has been a lot of fun, but what's something that you really hope at the end of the conversation today people come away with?

Craig Hurst:

I hope they come away with a continued love of the construction industry. It's changed dramatically over the last little while, particularly over the duration of the pandemic. But let's not get disheartened, we all got into this business because we like to build things. And with the challenges that have come about we sometimes have forgotten, well sometimes we just haven't been able to build. But the future's looking brighter in that front, I know that it's exciting down in the States to see what's happening with the infrastructure spend that's going on and what that's going to mean for so many contractors, and in Canada doing the same kind of thing and seeing our industry come back. But let's always keep that love of construction in our hearts.

Mike Merrill:

I can't get it out of my heart either. I just, I love everything about it, and most of all like you're saying, I love and enjoy working with so many great people. So Craig, what's something that you are grateful for that you've come to learn and appreciate in your professional life through all this experience you've had?

Craig Hurst:

Ooh, something, okay. And you know what, I knew that you were going to ask that question and I thought about it and thought about it and I don't want to come across as sounding corny, but I've been very, very fortunate in my professional life in technology, I have

a construction background but I've spent 30 years in technology as well. And during that time I've had a great opportunity to help a lot of people and see good things grow from it. And so I look at a lot of success stories, I feel bad about some of them that haven't been quite as successful as we would've liked, but I see a lot of success stories out there. And even though I may not be a shareholder in that company that's going so well, I can look back and say, hey, you know what, I was the guy that put that duplex receptacle in there, and they plugged in and they figured it all out.

Mike Merrill:

That's fantastic. Well that's great, I don't think that's corny at all, I think that's beautiful and I appreciate that. So last of all, what do you think, Craig, is your superpower?

Craig Hurst:

I think the thing that is my superpower is that I'm not afraid to try something, I'm not afraid of failure. Or not so much that I'm afraid of failure, I'm not afraid to make mistakes. Because one thing I'll say is that I've learned so much from making my mistakes, I'll make a whole bunch more happily because they're such a great learning experience. And when I started in technology 30 years ago, actually if I think about it's probably more like 33 years ago, there was no guidebook.

There were so many of us that were just trying things, and computers had just come out and I got my first Apple computer in 1986. Well if you look at the history of the Apple computer, I was one of the very first owners of an Apple computer. And was that the right thing to do or was that going to be a mistake? I didn't know, but there has a lot of trial and error and I've been fortunate enough that if you ask me what my superpower is I guess part of it is avoiding some of the errors. I also accept them when they happen and I move on gladly with that great learning experience.

Mike Merrill:

Well that's great. Well I think that's a great example and something that we can all think about and hopefully learn from what you just shared. So thanks for joining us, this was lots of fun. Looking forward to staying in touch and keeping track of how things are going for you there. And of course let us know how we could be helpful and we hope to be able to do the same for you.

Craig Hurst:

Chow Mike, and thanks for your time.

Mike Merrill:

All right, you bet. Take care, Craig.

Craig Hurst:

Bye now.