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MYOB Greentree

UNLOCK YOUR BUSINESSES FULL POTENTIAL WITH BETTER JOB COSTING

A WHITEPAPER



Tracking, recording and analysing the costs associated with the products you sell or the work you fulfil is no easy task. In today's climate – where it's necessary to serve customers on an individual basis – access to reliable, up to date information is of paramount importance.

If you want to achieve operational excellence and ultimately succeed (whatever your definition of success) you need systems and processes which support your goals.

DEFINE AND TACKLE JOB COSTING PROBLEMS

In this white paper on job costing, we hope to provide some insights into some of the ways you can tackle the challenges of costing jobs.

Over-Reliance on Spreadsheets Leads to Unseen Costs

One of the chief culprits in the battle against unseen costs is the spreadsheet. If you're using spreadsheets for quoting and calculations, this method of job costing is going to bite you soon enough.

As a tool, spreadsheets are capable of performing great feats of business wizardry. However, they were

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never designed to perform the role of a sophisticated, streamlined, and unified job costing system.

Job costing is much more than just knowing your costs. It's about understanding the health of your business, keeping a veritable finger on the pulse of performance. Relying on the integrity of the data manually entered in a spreadsheet won't give you a reliable source of information.

Ineffective systems

Guaranteeing proper cost recovery on jobs can be challenging, especially without the right systems in place.

Case in point, around 95% of Australian service provider and MYOB|Greentree Client, Eastern Tree Service's (ETS) work involves clearing vegetation around power lines. It operates on various types of contracts and has to handle multiple timesheets submitted by its crews in the field. Doing this manually, it was difficult to verify that the data being captured was accurate, there was no certainty that a correct bill was being sent to the customer. This challenge of systems often manifests itself in the following:

Inaccurate data

- Manual data-entry can lead to human errors
- Duplication of data duplicating effort
- Outdated information due to manual data entry, disconnected systems or intermittent data entry

BUSINESS IMPACTS OF POOR JOB COSTING SYSTEMS AND PRACTICES

Poor Customer Service

- Frontline staff can't provide clients accurate information about jobs or visibility into field service progress.



"The contracts we have, typically with the power clients, are anywhere between 5 and 10 million dollars a year and if you're out by 5 or 10%, that's a lot of money to not invoice"

Paul Tymensen CFO,
EASTERN TREE SERVICE

- Order information not flowing accurately to operations/production/field teams creating errors
- Additional 'un-budgeted' costs - that leads to disappointed customers.

Reduced Profits

- Limited scheduling capabilities to estimate when labour is required
- Inability to assign labour hours to specific projects
- Missed revenue opportunities due to unbilled work
- Exceeding project budgets or estimates due to inefficient planning and no job scheduling.



Inability To React To Change

- Leadership team have limited visibility into costs as data is not flowing into business performance reporting.
- Lack of visibility into costs inhibits ability to adjust to trends
- Limits ability to innovate and take advantage of new growth opportunities or meet individual client requirements

Organisational & Operations Challenges

- Siloed projects
- Timesheets are late or not submitted
- Problems appear after billing
- Lack of visibility into what sales reps promise during the bidding process
- Lack of real time project updates

If you're using a spreadsheet, it's all too easy to overlook any one of these. When was the last time a spreadsheet sent you a message to fix missing time or be aware of an overrun or a problem to be solved?

It's not just spreadsheets that are to blame, there are plenty of off-the-shelf products out there that simply don't have the flexibility to record all the data businesses need to get an accurate view of their costs.

TIGHT MARGINS, AND THE TRUE COST OF DELIVERING SERVICE

It's one thing to have small accounting errors that can be ironed out by your accountant. It's another thing entirely if you're relying on a system to accurately cost jobs daily. Because with tight margins, the smallest oversight can mean the difference between profit and loss.

A common oversight is to underestimate the number of costs involved serving your client's needs. It's easy to account for labour and resources. But there is a host of other costs to consider. Even costs you don't typically bill for should be accounted for. You need to consider that you may, in the future, need to reduce 'unprofitable' work. Without detailed insights, you may never truly know or control your costs.

THE COSTS TO TRACK

To accurately track costs professional services businesses should be tracking:

- Costs as they are accrued rather than at the completion of the work
- Employee time, sub-contractors, materials, and inventory
- Accumulated un-billed costs like administration or debt collection fees
- Tracking billable and non-billable items
- Shared and/or overhead project expenses
- Billing rates by job role, or project and tracking/assigning customised pricing
- Costs associated with importing materials such as foreign exchanges conversion, import taxes and any distribution costs

6 STEPS TO PLANNING YOUR BUSINESSES TECHNOLOGY REQUIREMENTS

Like any successful business, you most likely have an outline of your businesses short, medium and long-term vision and financial goals. However, what you likely haven't done is develop the accompanying review of the technology and applications that will support this growth. As you know future planning is about establishing where you want to be. So, why not plan your technology needs for that future? The task then is incrementally delivering initiatives that move you closer to achieving your vision of the future. As they say, Rome wasn't built in a day!

If we're being honest you can tackle this task a number of ways. There are literally 'heaps' of methodologies out there. One particular process, which in our opinion offers a lot of merit, is the 'Lean Innovation' approach.

Don't be intimidated if the literature out there seems overwhelming, it can be a simple process. Look at breaking down the tasks and only tackle them in a way that is achievable for your business. A great place to start is aligning your goals with the applications your teams will need to achieve those objectives.

1) Innovation Sourcing: this is about collecting ideas for change, this task involves identifying problems, ideas and potential technologies or applications that will address the needs.

2) Curation: this phase involves workshopping the ideas and potential changes with stakeholders to determine what is achievable within specific time frames. The intention is to decide which opportunities aren't feasible and what is the minimum viable solution.

3) Prioritisation: this is simply about prioritising ideas in terms of importance and impact. One method to adopt at this phase is the McKinsey Three Horizons Model. It was designed to manage innovation, but it provides a great framework for rating opportunities for change. It should be a good exercise to put your team in the right frame of mind.

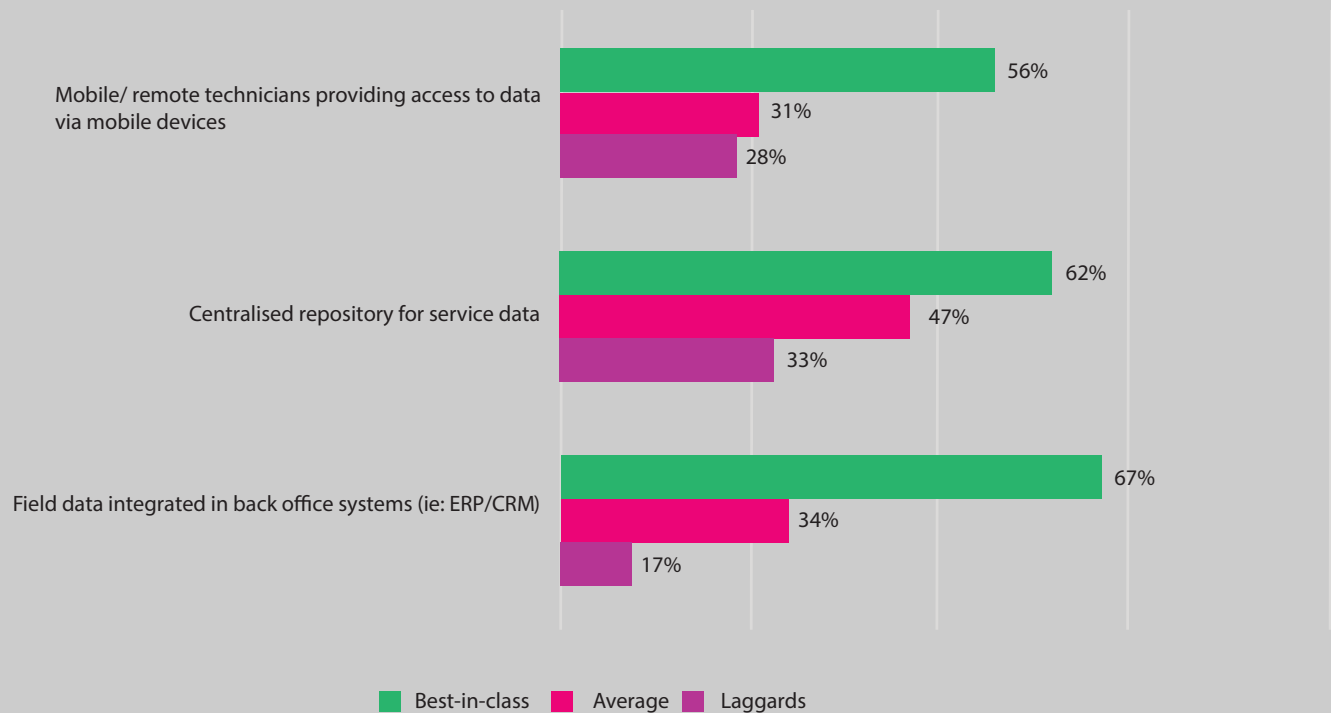
4) Exploration: once you've prioritised the initiatives for change the next phase is to put them under the microscope. The goal is to determine whether there is compelling evidence to suggest they will deliver the results you seek. This phase involves combining your own insights with customer insights to pressure test whether this is the right approach. Think of this phase as a quality assurance step.

5) Incubation: this is your research phase determining what is needed to get the initiative off the ground. It involves building teams or working groups to support the change and getting everyone excited about the new opportunities!

6) Integration: last but not least, putting your plans into action. The business needs to incorporate the new solution and retraining staff to adopt the new approach. This phase will likely be the most challenging as the rubber hits the road and your organisation's appetite for change is tested.

- Review your team's skills, knowledge and abilities to objectively determine whether they can support this change and identify gaps.
- Map your business processes and the path and touchpoints for each piece of data.
- Determine which roles need to see which data sets.

Strategies of Leading Service Providers



Source: Aberdeen Group, July 2017

As we've touched on a lot of the energy and effort is going to bring your staff on the journey to a new normal. For many businesses, this is where change becomes scary. To borrow the 'golden cow' analogy, in many businesses, systems and process are sacred. Staff are often not open to change. Especially in established successful businesses.

One of the biggest challenges is reviewing your business skills and aptitude for technology to determine if what you are planning for the future is achievable.

It stands to reason any project to update and improve anything will fail if the very people who use the system are not able or willing to use it.

One of your goals in this exercise will be to determine whether you can develop the skills to manage new systems. If not, you'll need to plan for acquiring the skilled employees needed to achieve your vision of the future.

IMPROVE YOUR SYSTEMS

The more efficient you are as an organisation, the easier it is to convert opportunities into the change that positively influences your businesses growth trajectory. The trouble with efficiency – or, more precisely, the lack of it – is that the less efficient you are, the harder it is to turn the tide. Especially if

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your business doesn't have the support of tools and systems that make your life easier.

CONNECT DATA SOURCES FOR A TOTAL BUSINESS VIEW

To work properly, Job Costing needs to be integrated with other functions, such as Financial Management (General Ledger), Asset Management, Payroll and Reporting.

- Provides ability to analyse expenses that contribute to profitability of product lines
- Drill down into cost centres to isolate costs and develop a clear picture of what costs are incurred producing or providing services

MYOB|Greentree customer, MONA (The Museum of Old and New Art in Tasmania) gained visibility across the entire business, reviewing data by profit centre easily.

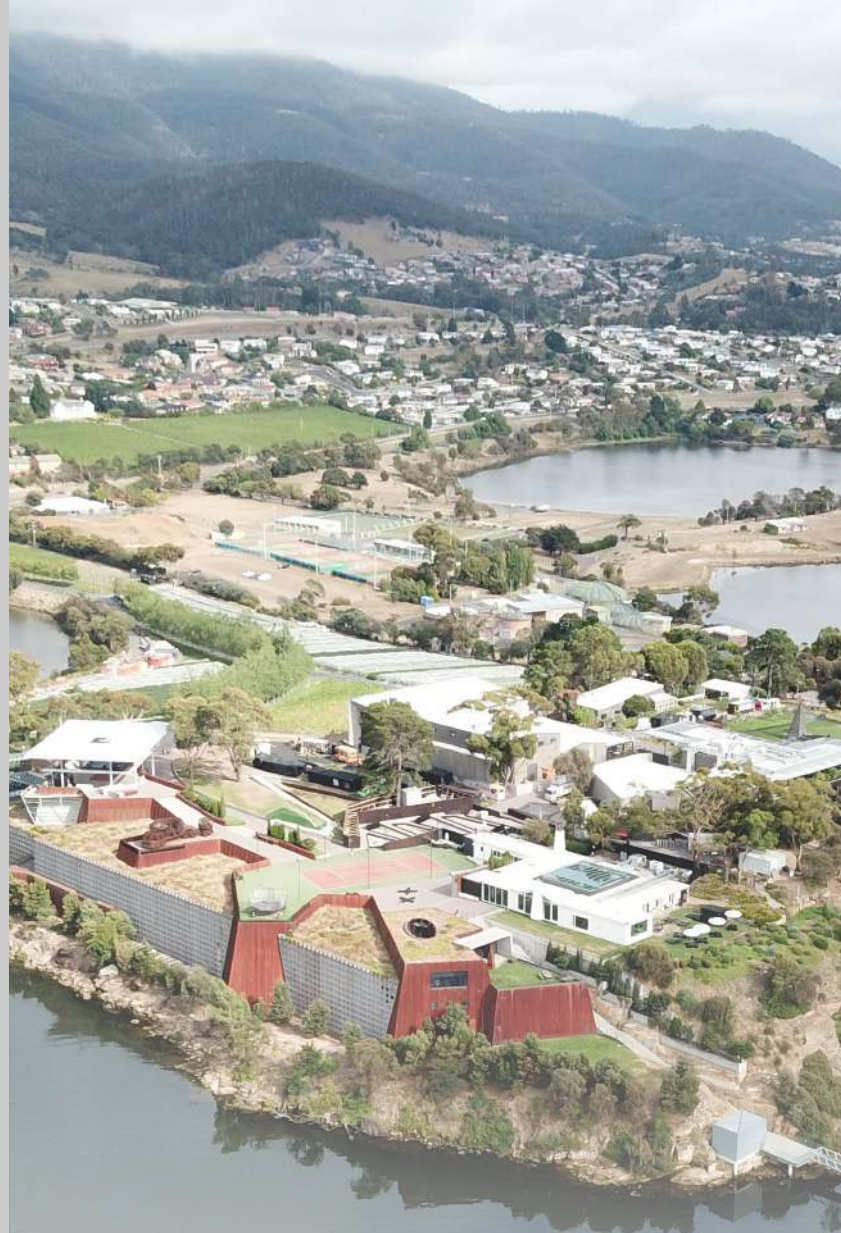
PRIORITISE GETTING LIVE DATA

Provide systems that cover the entire operation so everyone has access to input information at every stage so you always have up-to-date data

New Zealand-based MYOB | Greentree client, Paramount Services, credits accurate job costing as a key to keeping clients happy and winning new business. Job costing is an integral component of Paramount's business system, whose CRM component enables customers to log on and see what work has been done for the rates charged. This transparency provides what Finance Director, Bill Wu calls "a closed loop result" for the client.

INCORPORATE A RULES ENGINE

A system that offers rules and escalations capabilities allows your business to identify and manage events that impact your



"Within the company we have about 50 individual profit centres, and in seconds I can group or exclude any number of different profit centres and get a consolidated result. Using data from IQ* and our two POS systems, I can also look at the performance of an individual business unit on a weekly basis, and determine whether that unit is delivering against budgeted targets and margins. I can be as detailed or consolidated as I want because of the ease at which IQ* can provide those figures."

Patrick Kelly - Accountant
**MONA - MUSEUM OF OLD & NEW ART
TASMANIA**

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business. Managing disruption is hard enough without a system that allows you to set rules and escalations for both the events expected to happen and those that are unexpected.

STORE DATA CENTRALLY

Ensure everyone has the ability to share data and update information in the one place to improve visibility into project/job cost data.

INVEST IN A CUSTOMISABLE SYSTEM

A system that can be tailored to your business's specific needs will improve general productivity and result in higher end user acceptance from users.

Types of customisation you want to look for:

- Custom reports for menus and portals
- Creation of ad hoc reports and queries
- Ability to add user-defined data fields
- Construct personalised dashboards with drill-down capabilities
- Construct personalised portals combining functions needed for specific roles
- Tailor pre-defined workflows and/or construction your own workflows
- Add custom logic to workflows to respond to customer needs/wants
- Add or change data models or structure

OFFER MOBILE TOOLS AND REDUCE PAPERWORK

Provide staff flexibility, help your staff work how they want, on the go or at the desk. Provide an opportunity to go paperless and improve the speed of approvals and reduce manual data entry meaningless human errors.



“Job Costing is probably the most unique area of what we do. Because we’re building for ourselves, we’re essentially accumulating costs and monitoring costs on jobs, as you would any construction company, but at the end of it we’re actually producing an asset which we put on the balance sheet.”

Simon Challies, CEO
MYOB | GREENTREE CLIENT
RYMAN HEALTHCARE



Here is a great example, we mentioned, Victoria-based Eastern Tree Service before. ETS's trucks are equipped with iPads, which send data to their Job Costing module in their software. The billable and unbillable hours (downtime due to bad weather, breakdowns or illness) are now accurately captured.

"We're more efficient and more accurate," says Paul Tymenson. "We now have faith that we can go into a new contract knowing exactly what the performance of that contract area is doing at any time."

IMPROVE YOUR PROCESSES

There are plenty of pitfalls along the way to improving your business, even for a successful business, and many exceptional companies fall victim to external pressures and market forces beyond their control. But some businesses are able to recognise that inefficiency is a real and present danger that, if left unchecked, can set in like a rot.

Whatever business you work in, it's all too easy to get caught up in the day-to-day-intricacies – whether that's calling customers, reordering stock or chasing down debtors. And when that happens, you stop looking at the big picture.

For us, MYOB|Greentree is the Holy Grail – a one-stop shop. It's a system that can not only capture all of our common business management processes but also automate most of our daily tasks, with modules that speak to each other and update in real time."

Kristian de Pont, General Manager

Jet Cleaning

MAP, IMPROVE, AUTOMATE

Process mapping and process improvement are interconnected. Process mapping means taking daily business processes from hard copy manuals or peoples' heads, and transferring them into a computer system – there are a number of software options to help. It sounds simple, but processes that are second nature for your staff can be very difficult to explain or clarify on paper.

Improvement comes next. Once your processes are visible, it's easier to see what needs to change. In fact, the act of process mapping itself can lead to improvement – as people record processes, double handling and inefficiencies become apparent and can be changed on the spot.

But process improvement isn't something you do once and never think about again. Improvement needs to be continuous and ongoing to have the most impact. As your business grows, technology gets more sophisticated, and customer demands change, your processes must also evolve to keep pace – and that commitment to continuous improvement requires a top-down approach, with senior leaders at the fore.

GAIN TRUE INSIGHT WITH OPERATIONAL INTELLIGENCE

Operational Intelligence (OI) taps into data and business processes to change actions in real-time across the fabric of your business.

It ensures nothing falls between the gaps and cracks and that your staff have all the information they

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need, when they need it, to make better business decisions.

There is a difference between operational intelligence (OI) and business intelligence (BI): OI works with real time data, managing activities and functions as they occur, preventing errors and is used across the organisation. BI on the other hand works with historical data to deliver forecasting and planning, focussing on the longer-term view, and is generally only utilised by those managerial and analytical roles.

Operational Intelligence enables your entire organisation to communicate, create opportunities and deliver innovative ideas.

SUMMARY

Above all, it must be remembered that Job Costing is not a standalone function. It needs to be part of a connected system that enables single-point data entry, eliminating those human errors or instituting an automated approval process that flags any discrepancies on the spot. It also delivers real-time information, which managers can access easily and produce reports that show them the key performance indicators (KPIs) that show where the business is profiting and where it's losing money.


With such invaluable information at your fingertips, you can gain or maintain that competitive edge.

FURTHER INFORMATION

To watch a demo of Greentree ERP visit:
<https://www.ndevr.com.au/greentree-mid-sized-erp/>

To request further information:
info@ndevr.com.au

10% discount on MYOB Greentree Software License costs available until 30 November 2019.



“We’re focused on developing forecasting for overseas markets and getting more use out of the CRM and Job Costing systems. We’re aiming to finish up with a full supply chain scenario where a quote gets done, sent out and turned into a job costing order.”

George Khoury, COMMERCIAL
MANAGER

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