



# The Importance of Reliable Data for Subcontractors

Construction management software often targets the needs of general contractors, first and foremost. However, in order to protect profit margins and complete projects at pace, it is

critical for subcontractors to have organized systems for operations, flexible scheduling and budgeting abilities, and a constant stream of reliable data.



## Inside this document

<b>Introduction</b>	3
<b>What is Bad Data?</b>	4
<b>The High Cost of Bad Data</b>	5
Lost Revenue	5
Rework	6
Worker Dissatisfaction	6
Missed Deadlines	7
<b>What's Unique About the Way Subcontractors Work?</b>	8
Smaller Businesses	9
Little Control Over the Overarching Project	9
<b>Why Subcontractors Need Data</b>	10
Communicate and Collaborate More Effectively	10
Better Analysis	11
To Mark their Own Progress Over Time	12
<b>How to Get Good Data to Guide Your Subcontracting Business</b>	13
<b>About Prophix</b>	14

# Introduction

The focus on GCs is understandable, since they often collect and own data for their projects and ask that subcontractors standardize the flow of information by using systems they have in place. When general contractors own the information though, the needs of subcontractors can be lost.

Here we'll discuss the cost of bad data, how subcontractors can get the factual numbers they need to guide decision making.



# What is Bad Data?

Bad data is simply information in and about your business that is incomplete, inaccurate, or inaccessible.

Most businesses collect some form of information about their projects, intuitively understanding that they may need to refer to it at some time in the future. When the need arises to access that information, the way it was collected and where it's stored makes all the difference to how useful it can be.

Bad data can come from the very sources of information businesses rely on most. A good example is spreadsheets. Many contractors are still using spreadsheets as a database to keep all of their information - a solution which has done the job for a long time but nonetheless has some weaknesses and risks that should be addressed.

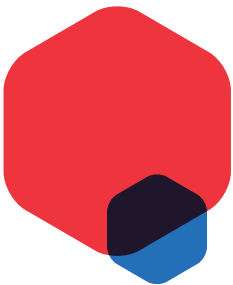
A single spreadsheet could have hundreds of formulae, so the opportunities for errors are extremely high. Upon close inspection, businesses may find they've been making decisions based on inaccurate information coming out of their own spreadsheets.

Even accurate data is often out-of-date by the time it's manually inputted and individually disseminated through a spreadsheet. Information is often assembled and waits until it's required for a weekly meeting, when it's dumped into the spreadsheet, saved, then sent out to the team. Meanwhile, everybody's been working on out-of-date intel.

# The High Cost of Bad Data

Globally, contractors lost an estimated US\$1.8 trillion to bad data in 2020.

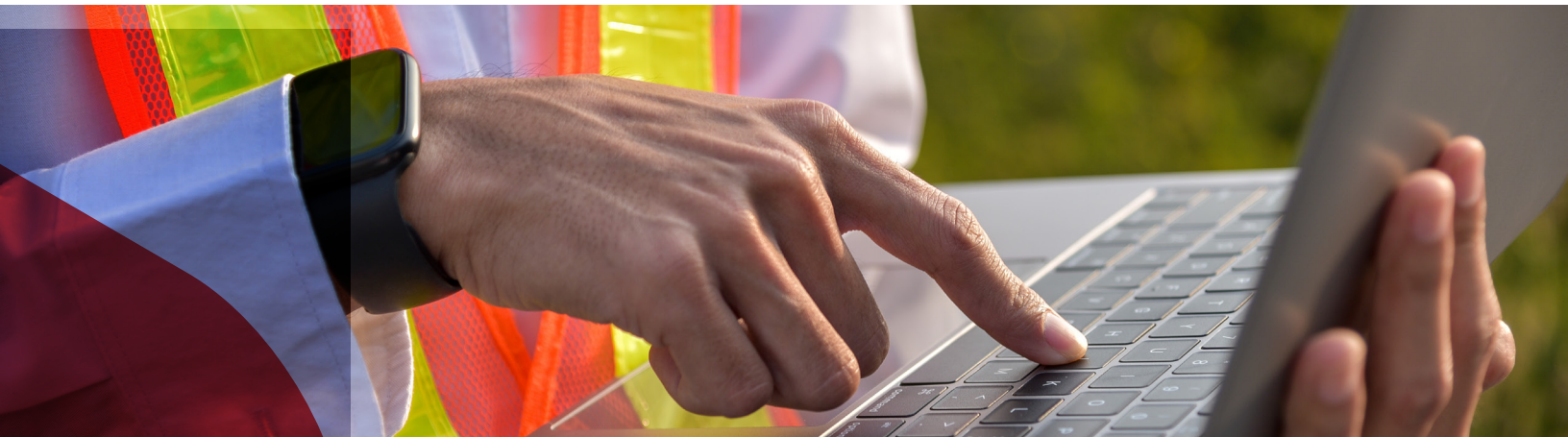
That number is massive, but what does it really mean to lose money to bad data? The contractors surveyed in the study – almost four thousand of them – named a few key areas that they felt were suffering due to a lack of complete and reliable information.



## Lost Revenue

The construction industry generally runs on small margins, continually tightening budgets to remain competitive and win bids. This is particularly true of subcontractors, since the money trickling down through the GCs gets tighter as it goes – subcontractors are bidding to fit into the tight margins the GCs already set for a project.

Within this setting the subcontractor's business model can't easily tolerate lost revenue, as it will eat away at what little profit was built into the bid. Lack of true information can lead to lost revenue via some common mechanisms, including rework, worker turnover, and costs associated with missed deadlines.





## Rework

Rework has been identified as one of the biggest revenue-losers, because it tends to cost in all three main areas of construction costs: supplies, labour hours, and time. Rework happens when tasks that were already repeated need to be redone because of some error in construction.

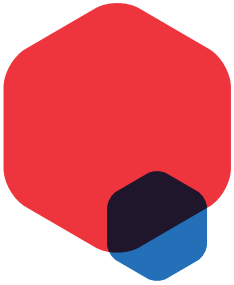
The cause of rework can often be chalked up to miscommunication: either the subs weren't notified of changes or updates to the work, or the GC misunderstood project requirements.



## Worker Dissatisfaction

Not only is rework costly, it's also frustrating for the workers who've done the job. In an industry where turnover is at 21.4 percent, employee satisfaction and feelings of fulfillment aren't to be underestimated. Yet rework may be one of the many less-than optimal tasks workers feel they're faced with on a daily basis.

Worker frustration could also stem from a feeling that they're being undervalued at work. Optimal project and worker scheduling can foster a feeling of challenge and growth within a company, but without transparency on both worker competencies and project timelines it can be tough for managers to get employees where they're needed most.



## Missed Deadlines

Finally, lost revenue can come from missed deadlines. Bad data can lead to missed deadlines both through rework, and through a lack of transparency as to the true progression of the work.

When progress is tracked only through weekly conversations with managers based on their eyeballed estimates, the project can get off track before anybody even realizes there's a problem. Missed deadlines can in turn create or exacerbate disputes, result in damages payouts, and can dent a business' reputation, costing future opportunities. Real-time data could enable managers to see around corners and avoid conflicts before they arise.



# What's Unique About the Way Subcontractors Work?

As the use of construction technology becomes commonplace in the industry, general contractors often have their own systems they work with, and ask subcontractors to work with the same system, like a Project Management Tool. This benefits the general contractor because the sub's data will be visible, accessible, and shareable for the general contractor, other subcontractors, owners, and other stakeholders.

It often means that the subcontractor does not own the data on the project though, making record keeping, analysis, and statistics on the project difficult or impossible to view after the project wraps.

Reliable data is especially crucial for subcontractors because of their unique position in the construction process. Subcontractors are specialists, experts with a specific set of skills. Improvement over time and ownership of the metrics that prove that skill level could be leveraged to boost a sub's standing against other contractors within their specialties, if they have access to all the right information.

Additionally, subcontractors could be at increased financial risk because of a few factors unique to them.



## Smaller Businesses

As small business owners, subcontractors are much more vulnerable to the ebbs and flows of the marketplace. While a general contractor may suffer from tight profit margins and low demand throughout an economic downturn, for example, for a smaller business with less capital, those challenges may be too much to weather. As such, a subcontractor needs every change to maintain an edge against competitors, by maintaining a stellar track record and the metrics to back it up.

Small businesses, therefore, need to be especially vigilant about keeping consistent and accurate financial records, timesheets, and expense reports to remove some of the barriers to payment to establish a healthy cash flow.



## Little Control Over the Overarching Project

General contractors are in charge of creating a schedule on any given project, and book subcontractors to come in and do the work. For their part, subcontractors cover the costs of materials and labour, schedule workers on their portion of work, and ensure their teams are compliant.

Taking on this level of responsibility entails a certain amount of risk - delays in the project that subcontractors neither foresee nor prevent can nonetheless impact their ability to carry out their responsibilities.

While no data management system is going to avoid the pinch caused by delays outside a sub's preview, increased efficiency and performance improvements that come with good communication and accurate numbers can help to blunt their effects.

# Why Subcontractors Need Data

Accurate information won't fundamentally change the way the subcontractors operate – they're always going to be subject to changes in the project, and will continue to have to bid competitively to general contractors in order to win work.

However, data can help subcontractors improve their businesses in a few key ways, to make themselves more desirable in the marketplace and bolster the business to better withstand these outside challenges.

## **Communicate and Collaborate More Effectively**

Good data is by definition easy to share and easy to access. Older systems that shut information on a project away in a hard copy file, or that's stored in a spreadsheet or other software that's inaccessible from the field, take away opportunities for teams to work as teams.

Take for example a change in wall placement that's going to impact the materials a plumber needs to complete a job. The GC lets the sub know via email that the change is coming, and the sub in turn sends emails around to the workers who are going to be on site that day.

If the workers don't check their emails and refer only to site documents, they're not going to bring the necessary materials to site. They may wind up starting the work incorrectly, requiring rework and costing time and money.

Imagine the scenario if the data is all accessible in a single system, though. The sub gets information about the change and makes it immediately accessible to the workers. They're able to bring the correct materials to the site and complete the work correctly the first time.

Sharing information about required workarounds, change notices, and delays can avoid errors and frustration.



# 2

## Better Analysis

Analysis is only available when data from past and current projects can come together to build a bigger picture of a subcontractor's business.

Information from completed projects, often kept and figured within accounting software, helps to paint a picture of past performance: how fast the work was completed, whether or not it fell within budgetary guidelines, and whether compliance was maintained.

Current projects are tracked within project management or time management software. Scheduling, budgeting, project specs, and more are recorded and monitored here.

Estimating and bidding software is often a separate entity, sharing little information from the first two. Each of these systems of information management works to achieve specific goals, but a set up like this results in 'data silos', or the ineffective sharing of information between systems.

Current projects can be better understood when compared with past performance – only through that lens can a business recognize its strengths and challenges in order to improve. Similarly, clear and unequivocal information about timelines on past projects can better inform future estimates and create more complete bids that accurately reflect the time and resources required to do a given task.

Removing data silos by sharing information between tasks gives subcontractors a clearer view of what's been and what's to come, allowing them to become more efficient and professional over time.

# 3

## To Mark their Own Progress Over Time

In the competition to win jobs, it's easy to embark on a race to the bottom, promising the shortest possible timeline and cheapest budget within which to complete a task.

Mere claims of competency shouldn't be enough to win bids – awarding work to a contractor should come down to a proven track record of past performance as well as about cost and time allotments. Clear, solid records of improvement achieved through introspection and systems analysis can give subcontractors a leg up in winning bids. Solid, accurate data backs up performance claims and lends an aura of professionalism to subcontractors, giving them an edge against the competition.



# How to Get Good Data to Guide Your Subcontracting Business

Dependable information comes from consistent and accurate collection of facts. It sounds simple, but it isn't always easy.

In order to keep a steady flow of good information, a system of data collection, dissemination, and storage has to prevail within a company.

## **The system has to be:**

- Built in to daily activities
- Easy to perform
- Compatible with other company-wide systems like communication and file storage
- Used consistently by each team member

With the wide variety of solutions on the market, it can be tough to narrow down the selection of a technology that can help you create good data systems. By assessing any software or tool against these characteristics you can find the tool that will work best for you.

Prophix is a system that enables users to simplify the budgeting process, use real-time data to keep track of current projects, keep everyone in the loop with easier and more accurate reporting, and bring all the information together to improve future outcomes.

Prophix gives contractors the ability to go into a single version of the truth, connecting all the data sources. Logging into one place and seeing everything from past to future.

## About Prophix

Your business is evolving. And the way you plan and report on your business should evolve too. Prophix helps mid-market companies achieve their goals more successfully with innovative, cloud-based Corporate Performance Management (CPM) software. With Prophix, finance leaders improve profitability and minimize risk by automating budgeting, forecasting and reporting and puts the focus back on what matters most – uncovering business opportunities. Prophix supports your future with AI innovation that flexes to meet your strategic realities, today and tomorrow. Over 1,500 global companies rely on Prophix to transform the way they work.

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