

The Battle Within: The Surprising Key to Winning WIPs

By Steve Antill, Foundation Software

Everyone on the accounting side of construction is familiar with work in progress (WIP) reports, but for operations staff, “WIP” might as well stand for, “What Is the Point?” What for controllers and CFMs is an essential tool for billings and financial statements can be at best a mystery and at worst an unwelcome report card. But accurate WIP reports depend heavily on cooperation from the field. That means the secret to winning WIPs is cooperation. And the real key may be empathy.

Why WIP Needs the Field

In theory, controllers should have everything they need to complete a monthly WIP. All of the numbers are there on paper. But the crucial question is, do they match the reality in the field? The bedrock number that drives the WIP’s calculations is the cost to complete, which is ruled by operations factors like:

- delayed completion schedules
- materials loss or site incidents
- labor issues
- unapproved or disputed cost change orders

The factors that control cost-to-complete are immediately visible to project managers but simply out of view from the office. And if the calculated cost-to-complete doesn’t match the reality of the project’s status, that WIP is worse than useless — it’s dangerous.

Consider an extreme example. An experienced PM is doing an outstanding job managing an old commercial building renovation when a broken pipe damages the work done on the first floor. The scope of work is the same, so no change orders are coming in — but the costs sure are. So according to the WIP, the project is a little more than halfway through their estimated cost and \$76,000 underbilled. There’s no way they’re finishing for the original estimate now, but if accounting doesn’t know the cost to complete just jumped, that’s a \$76,000 adjustment to their income statement — and \$76,000 of phantom revenue they might pay taxes on.

There’s no way around it — cost-to-complete needs to be an *exact* estimate from where the job stands now, to finish on-time and as-described. Whether it’s a no-fault disaster, a case of misestimating or non-communication about change orders, there’s only one way WIP reports can get an accurate cost-to-complete. That’s straight from the field.

Meeting on Common Ground: Why Empathy Wins

Because accurate WIP reports produce a mutual benefit for both the office and operations side of construction, they should be a shared goal. Many construction companies ensure this by facilitating communication through weekly WIP meetings. Others meet prior to each month’s close at a minimum. As a team or one-on-one, they review each active project to make sure change orders are accounted for, cost-to-complete is up-to-date, and everyone’s generally working off the same page. Taking the time to go through a single project’s WIP, operations can be shown how each change order impacts job profitability and, with it, their bonuses.

Let’s be honest, though. While it’s been a transformative — even enjoyable — practice for many companies, not everyone’s going to be on board with getting pulled into the boardroom. The idea of a WIP report turns off some project managers not because it seems pointless but because it seems *too* pointed — namely, at them.

Consider again the above example. That project manager may have done everything right and know exactly how to make the situation right. But in black-and-white numbers, it might look in the meantime like a black eye on their performance. So why would they want someone outside the situation looking over their shoulder and second-guessing their management of the job — and make them come in from the jobsite to report on it? Anyone can imagine how that feels.

If PMs need help seeing the value in WIP meetings, even if they're mandatory, the first step is to make the table welcoming. Meeting leaders and accounting staff can begin by extending understanding. Projects have ups and downs. There are also safety concerns, HR issues and unpredictable events to contend with. Not every job is going to be a home run. But open, nonthreatening conversations around a WIP report can allow the company to identify and be proactive about any issues in order to help the operations staff.

When no one feels like they have to play defense, teams can ask critical questions about where projects may have gone off-track. And when PMs feel like they're successes can be celebrated and like they can be looked to for valuable insight and wisdom in the field, cooperation can open up.

Conclusion

It's a rare breed of person that enjoys meetings, and it may be a rare breed of project manager that enjoys having their numbers scrutinized. However, because PMs are so crucial to the successful completion of WIP reports needed to complete their financial picture, construction companies need to find a way to bring operations staff to the table in a productive, understanding environment.

Empathy is the key. And that might even start with a wink and an honest admission: "Sorry these meetings can be such a pain, but we're glad you're here to help," which might kick off your team's best meeting yet.

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