

It's Midnight.

Do You Know What a Truss Costs You?



by Jay Deakins

Implementing a real-time job tracking system solved one company's costing blunder.

A few years ago, Building Components of Idaho didn't really know what it cost to build a truss. The building component manufacturer, which is based in Nampa, ID, had workers fill out paper time cards and key them into QuickBooks. The data became hard to track due to inaccurate punches and incomplete timecards. At the end of each month, this data was used for job cost analysis. Estimated costs versus actual costs didn't always balance out, though.

"One of the biggest problems with analyzing our job costs was working offline," says Corey Elitharp, President of Building Components of Idaho. "We didn't know if there was a problem until a month later or even longer. It was impossible to know where to focus our attention immediately, and which groups to sit down with to determine the problem."

Crowd Control

Building Components of Idaho turned to an integrated accounting and enterprise resource planning (ERP) software system in 2004 to manage its labor tracking along with its engineering links, production, order entry, purchasing, inventory, accounting and financials.

"We have about 35,000 square feet of buildings in one, 11-acre location. To expedite the logging process, our software supplier installed about a dozen stations in the buildings so that terminals were close to every work area," explains Elitharp.

Workers at Building Components of Idaho, including designers and shop personnel, scan individual badges through a barcode reader at each terminal. These readers collect the date and time the worker logs in, as well as the particular job and task the worker is performing. Once a worker or crew completes a task, they log off the completed task and onto the next task. The software's data collection system uses the time for all of the tasks in a given day as payroll data and general ledger postings, and also uses this same data for job cost analysis. The fact that the data is recorded once, yet used for three different purposes, ensures consistency and makes it relatively easy to collect the data.

If Building Components of Idaho needs labor collection on a jobsite, the data collection system is also available in a Palm Pilot version that syncs with the main system from any remote location.

Connecting the Costs with Enterprise Resource Planning

The major benefit that Building Components of Idaho sees in having an integrated ERP system with shop floor data collection functionality is that the captured time and attendance is completely integrated with the ERP system in real-time so management can determine the true costs associated with different jobs, and this data ties directly with the general ledger. With the time and attendance data collected from the shop floor data collection system, Building Components of Idaho can compare their actual job costs to their estimated job costs.

This labor data, coupled with material consumption data and outside purchases, lets management understand the true cost of producing a truss. They can compare

actual costs versus estimated costs so that future quotes may be adjusted to more accurately reflect their actual results. For payroll purposes, the collected time and attendance is exported from the software directly to Building Components of Idaho's payroll system, ADP.

"The key is in the integration. A data collection system that is completely integrated with the main system means there is more precise posting to the general ledger. Labor and product codes link financials back to actual job performance, so there is only one set of data for payroll and job costing," says Elitharp.

Shopfloor Politics

While selecting and installing a data collection system may seem to be the most difficult steps in the time and attendance-gathering process, there's another factor to keep in mind: the comfort level of your employees. If employee time and projects were never tracked before, "Big Brother" anxiety among your workers may be your greatest obstacle.

The best approach is to address the issue upfront. It's important that employees understand how their job performance affects the bottom line. Jobs requiring more labor than planned can be just as detrimental to a company as having employees consistently late or absent. By showing who is doing what and when, an integrated data collection system helps workers use their time as efficiently as possible. Their productivity contributes directly to the profitability of the company, and they will reap the benefits accordingly.

In order to ensure that workers utilized the shop floor data collection system properly, Building Components of Idaho implemented a productivity incentive program.

Elitharp explains, "We verify time collection against our day-to-day job costing tracking to determine key performance indicators (KPI), which contribute to employee reviews and help establish the incentives. If workers are not clocking in and out correctly, they actually get penalized with a five percent reduction in incentives. At first, supervisors monitored the process once every hour. Now we're down to two times a day."

Cost-Benefit Analysis

Today Building Components of Idaho knows full well the cost of a truss. While its improved data collection system has helped the seven-year-old business immensely, Building Components of Idaho continues to seek to improve their productivity and profitability.

"In the last year and a half, we've added three wall panel lines, a floor panel line, and doubled our truss capacity," says Elitharp. "We expect to continue at this rate of growth, and our new ERP software system will help us manage our processes through it all."

Whether it's midnight or midday, Building Components of Idaho is always looking to keep ahead of the curve. **SBC**

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