

How Accounting Software Is Holding Your Construction Company Back

nexTec | **CONSTRUCTION DIVE**

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When your construction company outgrows its accounting software, the next logical step is a construction-specific enterprise resource planning (ERP) system.



You need an update on project profitability. So you turn to your accounting team with a seemingly simple question: **“How much money are we making on our current construction projects, and have those numbers changed since the projects kicked off?”**

Fast forward a few days, and you still don't have the answer. It's not that your team isn't trying; in fact, they're scrambling to find the information you asked for.

The problem? Your accounting software can't provide a fast, accurate answer. Instead, your employees are pulling data from several systems and reports to generate numbers that are neither precise nor provide a real-time snapshot of performance.

That's because these platforms often aren't developed to play nicely with other systems, explains Erin Khan, founder and senior consultant at Erin Khan Consulting, which empowers companies to adopt technology to improve project outcomes.

“They're probably limited when it comes to data integration, and they're definitely limited in terms of their ability to create automations for you without extraordinary custom development,” Khan says. “This makes it harder to innovate, so you end up being held back by the limitations of your software.”

Does this sound a little too familiar?

It's Natural to Outgrow Accounting Software

For many companies, traditional accounting software works well — for a while. It tracks invoices and payments, houses basic project-cost information and supports payroll. If your construction business doesn't need to change or grow, an off-the-shelf accounting solution may serve your business well for years.

But most construction companies don't plan to stagnate. They're aiming for more revenue, bigger profits and more projects in the pipeline. In fact, smaller construction contractors report an average growth rate of 25% since 2022.

But these smaller contractors also face a distinct set of challenges: their workforces are growing, they're juggling multiple projects, they're working with more partners and subcontractors, and their operations are becoming far more complex as a result.



25%

Average growth rate of smaller construction contractors since 2022.

Source: [EBITDA & Valuation Multiples for Construction Companies – 2024](#)

As your business grows, traditional accounting software can only take you so far.

“Many construction companies are comfortable with the processes they’ve spent years perfecting — these are processes they know and trust,” explains Penny Tingle, senior consultant at technology consulting firm NexTec. “But every growing construction firm eventually reaches a point where standard, out-of-the-box accounting software just doesn’t cut it anymore. You know those businesses that still use fax machines? Yeah, me neither. Failure to modernize and keep pace with change will put you in the same category.”

Outdated or siloed systems can’t give construction companies the information they need to make viable business decisions quickly and efficiently. In many cases, traditional accounting systems end up working against you instead of for you.

If your business is on the fast track to bringing in more contracts, earning more revenue and increasing project volume, then it might be time to go beyond basic accounting software.





Has Your Company Reached Its Breaking Point?

As construction companies grow, it's all too easy to lose control of your workflows. When you notice any of these situations playing out within your company, it's time to explore accounting software alternatives:

It's been days since you requested project and/or financial information, and you still don't have it — but the surety drops tomorrow.

Getting answers to simple questions about cash-flow status, project budgets and financial health requires hours of manual work — and the answers you receive aren't always correct.

You need real-time information to keep up with the pace of business, but you don't have it — and outdated data is no longer enough.

Employees aren't happy with the software. “Listen to the people whose hands are on the keyboard, using your systems day in and day out. They'll know what needs to be improved,” says Khan. She recommends regular team check-ins to gather feedback, plus annual tech and innovation surveys.

The amount of time required to dig up reliable data can be a red flag, NexTec's Tingle warns. "Your team is likely entering fragments of the same information into different systems to try to gain a full picture of how projects are moving," Tingle says. "When you don't have documentation at any given time as to whether the three jobsites you visited today are making money, then that's a big issue."

Other warning signs you should watch for include:

- ☐ **Pay applications and supporting documentation** are reaching customers too late.
- ☐ **Consistently underbilling** due to documentation and workflow shortcomings across the project team — from purchasing to the jobsite to the accounting department.
- ☐ **Frustration among employees** due to the inefficiencies and limitations of your current accounting system.
- ☐ **Delayed decision-making and potential budget overruns** because your team struggles to access up-to-date financial data.
- ☐ **Different software being used for different tasks**, such as one for financials and one for reporting, which leads to data inconsistencies.
- ☐ **Data discrepancies between departments** because they're working from different numbers.
- ☐ **Lack of support from software providers** due to the platform being sunsetted.





Construction ERPs Take on the Challenge

What should you do once you've outgrown the accounting software you've relied on for so long? For many, the logical step is a construction-specific enterprise resource planning (ERP) system.

Construction ERP Systems Defined

The construction industry has many unique requirements, such as work in progress (WIP), under/overbilling, lien waivers, AIA documents, cost codes, retainage, certified payroll and substantiated billing. A construction ERP can handle them all.

This kind of ERP system combines accounting and billing, project management and operations, subcontractor management and material sourcing in one platform. It supports the latest project reports, contracts, budgets, plans, specifications, change orders, invoices, purchase orders and job costs.

Construction ERPs Support Smarter, Faster Growth

When it comes to operations, accounting and finance, construction is a fast-moving, multifaceted industry. A construction ERP can simplify complexity, help you manage risk, boost productivity and streamline workflows. Here are four of the benefits.

1. Streamline Project Management

With a construction ERP, you can manage all your projects in one place. Get a complete view of all tasks, change orders, open RFIs, summaries, status updates and invoices associated with each project in a single system.

“We’re now able to see where we are cost-wise with our existing construction projects,” explains Jeff Hamilton, president of Roberts Glass & Service, a commercial glazing designer and installer that uses Acumatica Construction Edition. “We’re able to look at the profitability of each project, look at the customer base, and understand how we are most successful.”

2. Improve Cost Control

Because you can easily see each project’s revenue and expenses in real time, you can better understand each project’s profitability and determine where and how changes should occur. At a glance, you can see which projects are coming in above or below budget — and why. For every project, you can also view the cost to complete, the cost at completion and the percentage of completion.



3. Make Informed Decisions

No more waiting days or hours to get answers to your financial questions. You can easily forecast and manage your finances, including costs, payroll, overhead and profit. Built-in, real-time dashboards and financial reports give you insights and help you make more accurate decisions with confidence.

“To be able to go into a system and have a view of the entire company — not only our finance department but every department — and understand how a project is moving is amazing,” says Anderson Pinto, former owner and CEO of Hartzell Construction and Renovation, which operates in South Florida.

4. Better Manage Subcontractors

Plans, contracts, emails, photos, change orders, billing, retainer amounts and compliance documents from subcontractors are all housed in the ERP, so they're easy to find and reference.



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JEFF HAMILTON

President, Roberts Glass & Service



How to Pick the Right ERP System

There are many construction ERPs to choose from. How can you make the right decision?

Prioritize and document your company's strengths and pain points, NexTec's Tingle advises. Your selected ERP should enhance your strengths and address your process pain points. No two companies are alike in the construction industry — and a construction-specific ERP system should account for that.

Spell out your requirements. “This is an often-skipped step, but documenting those requirements is beneficial for you and the providers you're considering,” Khan advises. When this doesn't happen, companies might later have regrets when the system doesn't do what they need it to.

Also, consider how the ERP supports your reporting needs and connects you to the business intelligence required to make decisions and accomplish your goals.

And don't forget about the cloud. A cloud ERP supports easy mobile access and allows construction companies to manage projects from anywhere. With project and financial data available in the cloud and updated in real time, all users can access the latest version of the information.

Trial the software to see whether it works the way you need it to. “Prep multiple scenarios depicting system requirements and desired priorities,” Tingle advises. “Ensure ERP sales teams can demo solutions that sufficiently address your unique needs in a manner that you and other major players on your team find intriguing.”

Khan recommends creating a sandbox environment where employees across your company can try out different systems. “It gives stakeholders the chance to give input early on, and you'll be able to tell very quickly whether team members will reject or accept it.”

As you narrow down your options, involve your team in the process. They can help guide you in the decision-making process by:

- **Preparing lists** of current tasks and processes, as well as how these could be improved.
- **Identifying gaps** in existing workflows that a new system should address.
- **Describing specific scenarios** where the current system falls short.
- **Ranking the importance** of specific ERP requirements and features.
- **Providing feedback** after vendor demonstrations.

When you've made your choice and it's time to begin the transition, Khan has these four tips:

- **Communicate** with your staff about what's happening and when.
- **Work with IT and subject-matter experts** in each affected area of your business (accounting, project management, etc.) to create a plan for data migration and switchover.
- **Prepare training and implementation resources** so your employees are empowered to learn on their own.
- **Train specific team members** to be internal subject-matter experts who can step in when questions arise.



Construction is a close-knit community in many ways. People like to talk about what they're using and how it's working. Talk to industry colleagues about how they're doing things and how they've improved workflows, including the software they're using."

ERIN KHAN
Founder and Senior Consultant, Erin Khan Consulting



It's Time to Take Action

Implementing a construction ERP is a monetary and mental investment, but the payoff is worth it, Tingle says. ERP systems can be the solid foundation for construction companies to build innovative strategies, increase profitability, foster collaboration and provide a single source of truth for stakeholders.

The cost of doing nothing is high in today's competitive and rapidly changing construction landscape. Adopting a modern cloud-based construction ERP can deliver significant advantages across your organization, including new efficiencies and cost savings, improved decision-making, and seamless real-time collaboration between the back office and the field.



Accounting Software vs. a Construction-Specific ERP

	QuickBooks	Acumatica
Project costing	✓	✓
Payroll	✓	✓
Construction project management	✗	✓
Compliance management	✗	✓
Subcontractor management	✗	✓
Retainage	✗	✓
Integration with Procore	✗	✓
Integration with CFMA Financial Benchmarker	✗	✓
Construction reporting (AIA, bonding, substantiated billing)	✗	✓

Source: Acumatica, QuickBooks Is Fine for Smaller Businesses. Until It Isn't.



The NexTec Difference

When it comes to implementing a construction ERP system, experience matters. NexTec Group is a gold-certified Acumatica implementation partner with nearly three decades of experience in the consulting industry. That's why leading construction firms and general contractors like Allison Resources, Freeland Contracting, and Wildstone trust NexTec to help them get the most out of their technology investments, both in the back office and out in the field.

Winner of the 2024 Acumatica Construction Excellence Award, NexTec is one of North America's largest and most experienced Acumatica consulting teams, bringing deep implementation and construction industry expertise. Our over 90% customer retention rate is a testament to the lasting, impactful relationships we build with our clients.

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