

How to determine your tech ROI

A guide to building your
construction firm's business
case for new tech



WIPFLI

When it comes to technology, the construction industry has a reputation

And it's not for staying on the cutting edge. The industry is known for keeping its old, outdated technology running on fumes and relying on a growing list of time-consuming workarounds to accomplish everyday tasks.

But when's the last time you saw 30-year-old excavators on a job site?

Construction leaders are willing to invest in new equipment that they can see and touch because it's easy to see the profitability driven by modern tools and machines. The same is true for technology — but it's just not as easy to gain buy-in for the level of digital transformation necessary to provide the experience that your clients and employees now demand. Not enough

leaders are creating a technology strategy that effectively positions their organization for future growth.

That's where this “how to” e-book can help. If you're struggling to understand the full scope of your organization's technology needs (including how to know when your organization is running the equivalent technologies of a 30-year-old excavator), or to gain buy-in from leadership, read on to learn:

- How to avoid common technology selection and implementation challenges.
- How to build your business case for new tech.
- How to determine your tech implementation's ROI.



How to avoid common tech selection and implementation challenges



Most tech projects grow out of one particular technology challenge. Common ones include:

- Being able to report across systems.
- Living and dying by the Excel spreadsheet.
- Entering the same data manually multiple times.
- Gaining valuable data analytics.
- Managing an aging and on-premises financial system.
- Dealing with the lack of a consistent project management process.
- Connecting disparate systems.

No matter the original need, when you actually kick off your journey, it can quickly become clear that the real problem stems from foundational gaps in your organization's technology and/or a misalignment between technology and your organization's overall vision and strategy. And that's where a project can get stuck or stall out.

Before you get this far, take a look at seven common implementation challenges and how you can solve or avoid them.

1. Looking for Band-Aids

Moving forward with the immediate low-cost solution versus the long-term investment often won't solve your organization's tech challenges. The reason why all comes down to people.

Everyone you work with — from clients to subcontractors — is getting a digital experience in every part of their life, from Amazon to their bank. How easy are you making it for them to do business with you? Do they receive digital invoices that autoload into your system, or do you send them paper invoices that slow down their billing process?

Are you a preferred contractor that subcontractors desire to partner with on projects? Do your subcontractors have a paper copy of the plan with the most recent updates taped in, or are they receiving push notifications to their infield devices with drawing updates?

And how are you attracting and retaining employees in today's competitive labor market? You need to offer them a more digital experience, too — one without the manual, duplicate and time-consuming processes, the technology workarounds and all the paper. Allowing them to concentrate on value-added activities and their highest and best use is critical.

Think about the full scope of your technology needs, not just the one pain point that's creating the most friction today.

2. Looking for a silver bullet

Construction organizations also need to quickly come to terms with the fact that there is no silver bullet — no single product that will give them everything they need to modernize their tech right now. It's common for organizations to try a specific software, have it fail and walk away with the perception that “their operations are different” and write off planning for technology growth into the future.

Organizations should be coming together to plan their future technology and architecture versus hanging their hat on a single solution. There are fantastic solutions in the marketplace for project management, customer relationship management and back office, but individually they will still leave gaps in your technology ecosystem if you are not creating a technology road map that identifies your true requirements and discovers what you need to get there.

3. Not tying technology to your long-term strategy

Speaking of creating a road map, the process of creating one is essential to aligning your technology to your organization's corporate strategy and future vision. Your organization needs to evaluate your current technology state, where the industry is headed, where your organization needs to be in 5-10 years to accomplish your strategic goals and then how to get from point A to point B.

Your organization will always have competing priorities: You're too busy with large projects, you don't have enough headcount, margins are tightening in a time of recession, you have M&A opportunities to pursue or a new piece of critical infield equipment that is going to revolutionize the way things are done. Tying technology into your organization's vision — making it clear how critical tech is to the company's continued success and longevity — is essential to getting the buy-in you need to go from Band-Aid to long-term solution.

4. Overlooking today's modular architecture

Historically, organizations looked to have a construction-specific enterprise resource planning (ERP) system to address all of their technology needs — that silver bullet we mentioned earlier. However, these systems still resulted in a lot of manual workarounds to fit the unique specifics of the organization.

With the workforce challenges firms are experiencing, today's systems need to eliminate manual processes and improve on automation. That's why organizations are now implementing a decentralized set of systems that connect via integration platform as a service (iPaaS) tools such as MuleSoft. These tools connect your CRM, ERP, data warehouse, project management system and more so that changes to a record in one system (such as contact info, budget or timeline) get automatically changed in the other systems.



5. Not bringing in the right mix of positions and departments

Getting the right people involved in the project is critical to its success. You're going to need a mix of people from all levels of seniority and across departments. A technology ecosystem can't be "corporate's baby." The changes your organization will undergo throughout your technology journey need the input and buy-in from various organizational levels.

Senior leadership will secure the investment budget, gain approval from the board and provide the highly visible buy-in and communication the project needs to gain adoption once it's implemented. Mid-level management will drive the technology implementation process and paint the vision of how this will benefit everyone in their day-to-day roles. Those across departments will work together to determine individual and overarching pain points and put together the technology road map. They'll bring the insights needed to determine what you need to improve the employee and client experiences.

6. Not talking to your peers — or asking the right questions

When it comes to technology, where have your peers and competitors had successes and failures? These insights can be critical to help you avoid mistakes right off the bat and set expectations for how your future technology journey may unfold.

Make sure to ask the right questions, too. You may be tempted to ask them which tool they picked and how much it cost when you should be asking what led them to move forward with their investment, how they built their vision and how they structured their road map or created a program for digital transformation. How did they think through their business case and determine their ROI?

And talk to them to better understand the corporate governance and capital allocation elements of getting approval for technology projects so that you can better set yourself up for success.

7. Not understanding how to effectively find a return on your investment

This is obviously a critical part of gaining buy-in and budget for your journey, but we have a whole section on how to determine your ROI, so we'll come back to this later.

How to build an execution plan and your business case

You may have heard that digital transformation is a continual process — which can be an overwhelming prospect when you just want to fix the problems your current technology has.

The right way to look at digital transformation is through the lens of positioning your organization to always be in the right spot and moving at the right pace to meet your clients', employees' and industry partners' evolving needs. It's helping your leaders understand how to stay informed with what clients are looking and asking for and how to

incorporate those adjustments into the technology road map. Ultimately, you have accomplished your digital transformation when you've established this competency.

So let's take a look at how you can get off the ground in the first place.



Building your execution plan

Building your plan is all about identifying the impact on your clients, picking the right technologies and the right partners, defining your road map and defining your team structure and operating model.

01 Identify the impact on your clients: Consumers buy from organizations that let them press the easy button — whether this is in the buying cycle, throughout the delivery of the service/product or while supporting them down the road when the dust has settled. Amazon is fast and easy and often the first place you go to when you want to buy something. Your execution plan should identify how to make your clients' lives easier — whether it's giving them one source of truth or making processes faster and easier.

02 Select your technology wisely: The technology you choose will have a huge impact on your people, industry partners and your future capabilities. If the technology you want to implement was developed by a startup, consider that it might make hiring harder for you if you're looking for people with specific experience with that technology. Many hundreds of thousands of people might be certified in well-established technology compared to that of startup systems, so your hiring pool is wider if you choose a more established software vendor. Also, investigate the financial health of the technology organization. How big is its R&D budget? As examples, Microsoft, Salesforce, Sage and Procore spend millions each year on R&D to advance their product capabilities and to be ahead of the curve — while other solutions may be in the waning years of their lifecycle and have little to no spend as they are merely collecting their licensing fees until the sunset of the platform.

03 Pick the right partners: Choose an organization that's knowledgeable in your organization's industry and has implemented your chosen technology. They have the experience necessary to guide your implementation process in a way that avoids common pitfalls and sets your organization up for true success. And select a partner who has experience working collaboratively on digital transformations of your planned size and scope. Tech implementations are complex, stressful and fast paced; things can go wrong. Your partner needs to be able to be honest with you — not just say what your leaders want to hear — and they need to be able to help your team stay in the right headspace to calmly work together to solve problems that arise, without the panic that feels all too natural to fall into.

04 Create your road map: We've talked a lot about creating a road map already, so the key thing to understand here is that you should be zooming out at least 2-3 years. Understand what's going to come next and those critical orders of operation so you can prioritize what your organization needs immediately versus the long-term.

05 Define your team structure and operating model: Design this for the long-term to reflect your digitally transforming or transformed organization. You'll want to account for the fact that the time you're asking people to spend on digital transformation up front isn't necessarily going to be time they'll get back in the future, as digital transformation is a process of revaluation, optimization and innovation to ensure your business stays aligned with client experience expectations and demands. Your team structure and operating model should reflect this.

Data-driven organizations are:

19x more likely to see a return on tech investments

23x more likely to acquire clients

6x more likely to retain clients

Source: McKinsey Global Institute

Building a business case

Getting the buy-in and budget you need is all about building a business case — and doing so the right way. Here are some tips:

- **Understand who makes capital allocation decisions:** Who's making the investment decisions in your business? Is it senior leadership? The board of directors? Some combination? Once you understand who to go to, you'll want to understand the right process, too, which leads into the next tip.
- **Deliver your business case in the format they are used to or want to see:** Because your senior leaders or board of directors are constantly making investment decisions, they rely on the CFO to normalize the costs involved (e.g., hiring, risks, financing, big purchases, hidden costs, outlay of costs, etc.) into one consistent format. Once you understand which terms and what format your company uses, your business case can match it so your leadership can better understand what you're asking for and how that ask will impact the organization.

Note, too, that ROI is usually looked at in terms of net present value (NPV) or internal rate of return (IRR), so you'll want to use the KPI that is used by and resonates most with leadership.

- **Provide hard numbers:** Relatedly, let them know the level of investment required. What's the total investment for each year for next five years? What are the necessary one-time investments versus the ongoing investments in services and software? And what's the expected return on investment?

Overall, a business case that presents a hard ROI model and elaborates on it with a strategic narrative optimized for the capital allocation players in your organization is much more likely to see success and momentum.

Tech investments show proven ROI — for those willing to make the leap forward.

82%

of companies see measurable business ROI from investing in financial technology.

40%

of construction firms use cloud technology, with the rest relying on on-premises systems.

70%

of contractors believe modern technology can improve productivity, scheduling and safety.

18%

of construction firms use mobile apps to collaborate and access project data.

Sources: Accenture, Procore, U.S. Chamber of Commerce and Autodesk

How to determine your ROI

At its simplest, ROI is determined by subtracting the costs of the investment from its determined benefits in some number of future years. But what goes into determining the benefits, and what are the costs you need to consider? Let's take a look.

Value to consider in ROI

When it comes to value, a project has both direct and indirect benefits.

Direct benefit examples include:

- Increased revenue
- More efficient workflows that allow for more project capacity with the same headcount
- Reduction in rework on projects
- Improved quality and safety measures
- Improved efficiencies within your organization
- Standardized processes that allow for scalability nationwide
- Earlier project completion
- Elimination of cost around maintaining legacy systems and hardware

Indirect benefit examples include:

- Higher client satisfaction due to more efficient workflows and a more collaborative space
- Improved morale of your workforce
- A more innovative culture leading to a continued flow of ideas and improvements that lead to direct benefits
- Easing the transition from college and trade programs to the workforce, as all employees will be trained on and using modern technology

A project also has costs and risks to factor into your ROI calculation.

- **Direct costs:** Examples include hardware, software licensing, implementation consulting, integration consulting, training and change management
- **Indirect costs:** Perhaps the best example of an indirect cost is the short-term impact to productivity for your internal workforce while they devote time to the technology implementation while still performing their normal day-to-day work.
- **Potential risks:** Examples include budget overrun and the project taking longer than anticipated.

ROI vs. IRR vs. NPV

Before we dive into calculating returns on investments, we have to note that not every organization uses ROI. CFOs have a variety of opinions and preferences in this area, and many prefer to use internal rate of return or net present value instead.

This is based on the crucial factor around the timing of the returns. IRR and NPV models will visualize this relative to your cost of capital.

▼ The two biggest factors to IRR are how quickly you begin to realize the benefits of your investment and how long those benefits continue to drive returns. ▼

Thinking through the lifespan of your investment

Accordingly, picking a toolset that will take an excessive amount of time to realize benefits is one thing that can kill your IRR. Picking a platform that might have a shorter lifespan than you need can also kill IRR. This is why it's so essential to pick the right platform and partner. Your partner

drives time to value, while your platform determines how long you see returns.

Just like your construction firm needs to replace aging equipment, you'll need to do so with software as well. It just isn't possible to earn the same return on software 20 years from implementing it as it is in the first 10 years.

So how do you think through the lifespan of your investment? Moving from on-premises to cloud-based solutions, as well as picking a platform that is gaining traction in the market and being developed by a healthy and growing software publisher, should give you assurance that you'll get at least 10 years out of your investment before you need consider replacing it with an updated solution. Larger publishers with millions or even billions in annual R&D budgets help extend the life of your software, as they're developing and pushing updates to your systems. These updates not only keep it on the leading edge but also make it more valuable to your organization in year five than it was in year one.



Make things easier: Use an IRR calculator

One of the best ways to determine the IRR of a technology investment is to use a calculator. It's designed to factor in revenue, savings, investment – and even taxes and the cost of capital – to deliver a set IRR. And it breaks each down into relevant areas.

For example, revenue takes into consideration the margin lift in improved deal flow, expanding into new regions, growing in existing markets and developing new capabilities. Savings factors in the direct and indirect benefits discussed previously (such as the ability to produce more without increasing headcount), while investment factors in direct and indirect costs (such as licensing, internal salary increases and consulting).

Wipfli has developed an Excel-based IRR calculator to help construction firms wrap their arms around a technology implementation project and better make decisions around timing, budget, partners and their overall technology road map and strategy. This calculator is complimentary. To learn more and access the tool, [contact Wipfli](#).

Get up and running with Wipfli

Delivering an exceptional client experience and staying competitive requires your organization to adopt modern technology and transform digitally. Let Wipfli help your company:

- Create a long-term technology road map.
- Analyze your needs and select the right technology.
- Implement the technology, tailor it to meet your needs and integrate it with the other systems you're using.
- Train your team with effective change management practices to ensure adoption.
- Optimize the technology to continue meeting your needs as you grow.

Discover how Wipfli can help you start your digital transformation.

Learn more ▶

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