

Accelerating the Construction Billing Chain



The key to speeding up construction billings and payments is having access to real-time data and workflows.

It's an all-too-familiar story in the construction industry: An already complex and demanding project that involves multiple teams and subcontractors hits a wall as payments for materials, services or work done are slow to be made. As the general contractor or owner struggles to pull together all data on job progress, invoices, materials, equipment and labor from multiple sources so that accounting teams can pay the bills, the project stalls. Instead of teams in the field fluidly moving onto the next stages, they're resending invoices and other documents, checking boxes and following up with countless email chains and phone calls.

Because of construction projects' complexity, there has long been a general expectation of delayed payments, as the payment chains can be equally as complex. A traditional lack of real-time data and workflows in the industry means that many processes — including payments to subcontractors and suppliers — can take days, weeks, even months to accurately facilitate.

The construction billing and pay chains also have a trickle down effect. Many contractors and subcontractors are paid as work is completed, meaning that oftentimes they're self-financing their own work against the contractual promise of agreed upon payments. If timely billings and payments are not being made, or if there are conflicts over work that was done, general contractors can see work stoppages; subcontractors can take hits to cash flow that might prevent them from continuing work; and crew members in the field might not receive timely paychecks.

A Too Common Occurrence



Late billing cycles and payments can mean work stoppages on construction projects.

Unlike other industries, where these pay chain issues could cause serious backlash, the construction industry has — to some degree — accepted late payments as part of the cost of doing business. According to a 2019 Construction Payments Report from Rabbet, 30% of all respondents surveyed reported that they endured work stoppages or project delays over the past year due to delayed payments to crew members. Meanwhile, Construction Dive noted a 2018 report from Contract Simply that slow payments can add \$40 billion a year to construction industry costs, or around 3.3% of total construction costs.

The study also revealed that 70% of contractors would be willing to discount their invoices in exchange for payment within 30 days, which would put an estimated \$18 billion back in the pocket of builders, developers and lenders. Paying promptly can also ensure that developers and general contractors will be able to attract the best subcontractors in a time of labor shortages. That's important since the Rabbet study also showed that 63% of subcontractors reported opting not to bid on certain projects due to a general contractor's or owner's reputation for slow payments.

Important than Ever

**Why Timely
Construction
Payments are More**



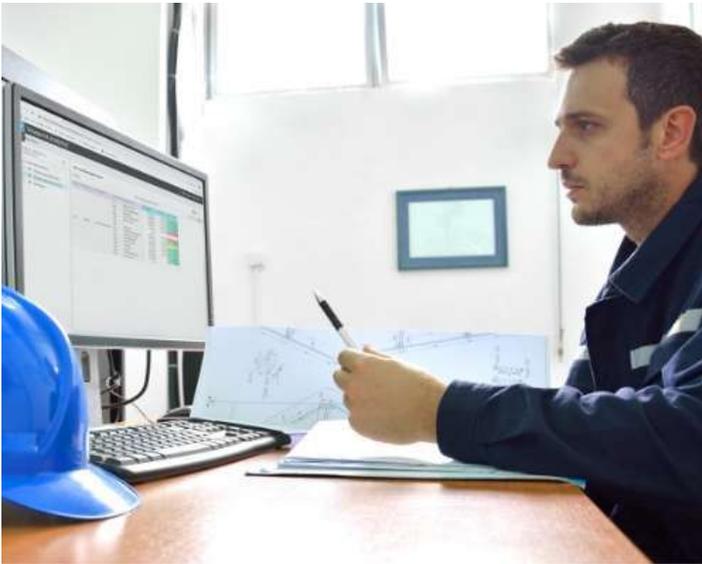
Vital data collected via manual processes can be subject to errors and omissions, leaving accounting teams to sort out the mess, causing further delays in billings and payments.

There have been efforts made to speed along processes. Some subcontractors or suppliers might send preliminary notices (sometimes called preliens, Notices to Owner or NTOs) to general contractors or owners in an attempt to increase visibility and provide evidence that they are attempting to stay on top of billing issues. Of course, every contractor wants their invoices prioritized, and in an ideal world, all would be paid on time and without hassle. However, with current processes that many contractors have in place, that's easier said than done.

One way to ensure payments is to file a mechanics lien against the project. This essentially puts it on legal record that payment is due. However, doing so typically adds a layer of tension between subcontractors and general contractors and owners, and it still doesn't guarantee that payments will be made quickly. Since COVID-19 caused construction upheaval in business disruptions, the number of mechanics liens are up 40%, Construction Dive noted in a recent article. Additionally, 80% of contractors surveyed revealed that they spend a significant amount of time during the workweek pursuing payment.

In a time where the next chapters of the construction industry's business continuity story are still being written, having to worry about making timely payments while also getting paid on time themselves is one challenge contractors need to find a solution to quickly.

It's All About the Process



An integrated, cloud-based construction management suite like ViewpointOne gives contractors real-time data and workflows, streamlining billing cycles and ensuring that all project stakeholders are paid on time.

So how do contractors address this? By speeding up their data gathering and workflow processes. Many contractors today are turning to technology - especially as external business disruptions throw a wrench into projects - in order to work quicker, smarter and more agilely.

Cloud-based software programs are allowing contractors to work with data in real time, expanding access to data and data collection efforts beyond the brick and mortar walls of the back office and into the field where data is needed and collected. Even better is a completely integrated, cloud-based suite of solutions, like ViewpointOne, that connects accounting, project and document management processes, labor and payroll, equipment and material management and more together with a single source of standardized data. This allows workflows to be streamlined in real time and tasks that typically require hours worth of work — like reentering data from one disconnected software program to another — to become automated.

In this modern software environment, invoices, job progress reports, production units, labor hours and more can be easily generated in the field with simplified forms delivered via mobile devices or web-enabled applications. Once field data is captured and entered, it is automatically routed to accounting, or to project managers for approval, reducing a process that could take weeks down to mere minutes. With all of the data on hand and in the right systems of record, accounting teams can process invoices as they come in, as well as bill in real time. This ensures the payment chain is moving in unison with the work being done and all project stakeholders are realizing positive cash flow.

Furthermore, advanced data analytic tools, dashboards and reports and data visualizations included in the right integrated construction software suite allow contractors to both stay up to date with project health and spot potential issues long before they occur. And digitizing construction tasks and workflows removes manual processes like paper and layers of disjointed spreadsheets from the equation — reducing risks of errors or miscommunication by providing a uniform process for all.

Though the construction industry has historically been slow to adopt new technologies, the last few years has seen a significant push to modernize operations — with the idea of speeding up billing cycles and stabilizing cash flow seen as just one of many benefits. Those still resisting may have

their hands forced soon - especially as the construction landscape changes in the wake of COVID-19, as many project owners are requiring modern tools and processes of the contractors they work with.

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- [The Electrical Contractor's Guide to Selecting Construction Software](#)
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