The Margins of Success

Rick Stoor, MD of Templa, explains how real-time information makes decision-making easier and positively impacts your net profit margin.

In an effort to ensure completeness of income and maintain profitability in the face of intense competition, four of the biggest challenges cleaning contractors face are:

1. Quickly and accurately updating company systems to reflect the constant changes inherent in daily contract delivery – new starters, changes to pay rates, tracking one-off jobs, recharging consumables, amending invoices to reflect contract additions.

2. Limiting the overhead required to process such changes, not to mention the extra work that comes with onboarding new clients.

3. Accurately reporting financial performance by key budget and revenue lines such as payroll, materials, one off work, consumables income, as well as promptly notifying managers of adverse variances in these areas.

4. Maintaining clear visibility of profit performance at different levels within the organisation, for example site, client, area, region.

If there's a common theme to these challenges, it's the marshalling and maintenance of data across multiple systems, and the ability to synthesise it all to produce management information that can be quickly acted upon.

In this case study, there is a typical example of how a few changes to the cleaning operation in a single building can impact each area, stretching the admin machine and potentially missing income.

Case Study – Multi-tenanted building

Take a building where there are four existing contracts: one with a managing agent to clean common areas, and one each to service the building's three tenants.

Following a review, the cleaning specification of both the common and tenanted areas is improved and a contract is added for a new tenant who moves into a previously vacant floor of the building. The latter requires additional washrooms to be cleaned, with an increase in overall washroom consumables usage. To complete the picture, there are 10 operatives who share the current work and are controlled into the building using a T&A system.

Depending on how the new overall workload is allocated between existing/new employees, in respect of the four existing contracts, changes must now be made to the payroll budget (including the hours rostered in the T&A system), equipment and materials budgets, washroom consumables recharge (managing agent) and client billing, while budgets and billing must also be set up for the new tenant's contract.

For a contractor whose administration is overwhelmingly manual, the man hours involved are obvious: duplicated entry of new and amended data across multiple systems – accounts, billing, payroll, T&A; manual update of MS-Excel if used for timesheets, wages control or materials control; fiddly workarounds at pay period end for addressing wage variance issues as the old/new wages budgets are apportioned; and similarly at month end with the old/new versions of client billing.

Given the pressure staff work under, it's easy to see how minor mistakes in the keying of data could cause an income shortfall, not to mention the amount of work involved in updating budgets and reports to track performance going forward. The likelihood is that it could take weeks, if not months, before the information becomes available or mistakes are discovered.

Dynamic integration

By contrast, in an integrated system where data is entered in just one place, and where linked business processes share that common data to drive activity, it all happens automatically. Changes to contracted hours update both timesheets and T&A; payroll overspends are alerted before staff are paid; increased volumes of rechargeable consumables update client billing; new income and revenue budgets update client profitability, and so it goes on. Every time you make a change, the system ensures that everyone knows about it. And to cap it all, the information is available in real time on your managers' dashboard screens. All of a sudden, those four challenges are within reach.

Are such integrated, real-time systems available? Of course, and many companies already use them. Equipped with accurate information, and with a firm handle on administration, they are ploughing a furrow of increased net margin and a sustainable future. They know that their commitment to invest in the solution has provided them with the solid foundation they need to support their business growth plans.

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