

INTRODUCING DIGITAL ASSET MANAGEMENT

**The key to increasing profit and productivity in
your construction business**

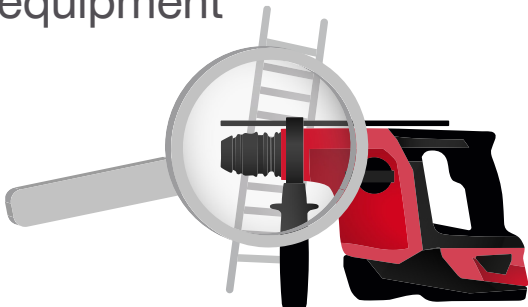
Poor asset management eats up employee time and can cost your company a small fortune.

It's a widespread problem. Construction companies spend an average of 90 hours each month searching for their assets across construction sites. As an example, an elevator customer we were working with spends ZAR 2.5M annually in time and cost for asset management.

This unnecessary waste damages your operational efficiency and erodes your profit margins. And if your firm is one of the 65% in the sector that has trouble keeping track of required certificates and maintenance dates, the problem gets worse.

So why does it happen – and how can you avoid it?

65% of companies
have difficulties
tracking tools and
equipment



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The digital black hole in the construction industry

According to the McKinsey Global Institute's Industry Digitization Index, construction is the second least digitized sector in the world.

Astonishingly, for an industry that uses increasingly cutting-edge techniques to meet the growing demand for environmentally sensitive construction, relatively few companies digitize their assets, business processes or working practices.

Instead, most manage their assets using a patchwork of paper-based systems and simplistic technologies such as Excel spreadsheets. This way of working is neither transparent nor accountable, and it's easy for asset management to become dependent on specific individuals – meaning it's difficult and complex for anyone else to pick up the baton if a key person is ill or on holiday.

Such systems also have negative cost and efficiency implications for managing both physical and administrative assets. You will certainly recognize some of the key problems and frustrations in both areas.

Problems managing physical assets

“Initially it was all paperwork and it was quite painful to track and manage our assets – it was almost impossible.”

Kevin Hill, Yard Manager, Sonic Rail Services

When you use non joined-up management systems, you are never fully in control of your physical assets such as tools, vehicles and consumables. Unless you know exactly where each asset is at any given time, you face these problems:

- **Expensive delays.** If you have to spend time tracking down assets, you can't get them on site when they are needed. This can lead to projects being delayed and workers standing around waiting for tools to arrive.
- **Duplication of assets.** If you can't quickly track down an asset like a drill, cement mixer or ladder, you'll often buy a needless duplicate to keep a project on track.
- **Lost and stolen assets.** Without a system that tells you who currently has an asset and is responsible for it, items can easily get lost or stolen – costing thousands annually.

At a time when profit margins are getting tighter, this kind of operational inefficiency is impossible to justify. After all, indirect costs are five times higher than direct costs, even if they are harder to see and measure. It's the same story when it comes to managing administrative assets.

Problems managing administrative assets

“It’s a fast-paced industry for everybody and the more efficient you can be at all angles of it, the better the process will be overall.”

Brandon Howell, Owner / VP, One Source Building Services

Managing administrative assets effectively is essential to your construction business. To remain compliant, you need to make sure that Health & Safety certificates and clearances are current and that workers have up-to-date training and certification. You may also have to keep on top of other issues, such as making sure that vehicle taxes are renewed on time, Portable Appliance Testing (PAT) to check the safety of electrical items is completed on schedule, and that physical assets are inspected and calibrated at the correct intervals.

Using a disjointed system to manage a complex ecosystem of administrative assets is asking for trouble, and can cause a wide range of troublesome issues. These include:

- **Wasted time.** Manually having to check and monitor paperwork, compliance status, inspection intervals and similar factors is extremely time consuming and expensive. Without automated reminders, you can find yourself needlessly paying for hundreds of hours of employee time.
- **Expensive errors.** Non-digitized systems make it much easier to make errors. For example, if you accidentally fail to renew mandatory Health & Safety accreditation, you could be slapped with heavy fines by regulatory authorities.
- **Unsafe working practices.** If your system lets inspection and maintenance intervals slip through the net, it’s possible that your workers will end up using unsafe equipment. If they then have an accident while using it, you could face major legal penalties.
- **Loss of business.** Many contracts are awarded on the condition you meet specific accreditation and training criteria. If your system allows you to overlook renewals, then you may not be considered for certain contracts or could be breaking the terms of existing ones.

As you see, not being in control of your physical and administrative assets has a major negative impact on your operational efficiency and profitability. At a time when McKinsey finds that large construction projects typically take 20% longer to finish than scheduled and finish up to 80% over budget, achieving substantial savings and greater efficiency via better asset management is a no-brainer.

The way to do this is by digitizing asset management. But how do you set about it?

Digitizing asset management

If done well, digitizing asset management brings major benefits to construction companies.

To understand how, you first need an insight into how a construction-friendly asset management system might work.

Typically, you would be looking for a system that has the following features and capabilities.

- **Robust hardware.** You need hardware that can be applied to physical assets, allowing you to scan and track each item with a handheld device. Ideally this would be a robust barcode that can withstand rough handling and tough weather conditions.
- **Flexible software.** The software you use needs to be portable, so it can be used onsite and on the move. If it is cloud based, it will provide each user with real time information, and if it can be used on devices such as iOS and Android smartphones, hardware costs will be lower – you won't be dependent on expensive proprietary devices.
- **Service.** Any system needs to be tailored to your own inventory and working practices, ideally with expert support from a vendor. This might include data upload, asset tagging and onsite training.

Examples of digital asset management benefits

The best way to understand how digital asset management brings cost and efficiency benefits to construction firms is to see how they are used in the real world. These two examples provide you with a clear insight.

1. Physical asset management

You need to make sure that two cement mixers, an angle grinder and three drills are at a jobsite the next morning. Each item has a rugged barcode tag, which has been scanned into the asset management system using a smartphone.

It is now possible to log in to the system to see the location of each item you need, who is currently responsible for them and whether they are available for use the next day. You can now assign the required items to a responsible employee, who will receive an alert instructing them to get the equipment to the correct site the next day.

Benefits: Your employees no longer need to spend hours tracking items using paper-based systems and phone calls. The items will be on site the next day, so you don't lose time and money through delays. You don't need to buy duplicate items, because you know you have the correct equipment. If you need to transfer more assets to the site, the process of locating and assigning them takes minutes rather than hours. Also, because an effective system tracks the usage of consumables (such as bolts, nails and plasterboard), you can order in the amounts you need – meaning you don't pay for extra assets that you don't require.

2. Administrative asset management

You work with an asset management software vendor to load your administrative assets onto the system. They include:

- Health & Safety certification
- Employee certifications and training schedules
- Vehicle tax due dates
- Professional body membership details
- Rental equipment return dates
- Site cost allocations

You assign dates to each of these items indicating when you need to take action, such as renewing certification or arranging fresh training. The employees responsible for action are sent automated reminders before the due dates, ensuring no business-critical administration slips through the net.

Benefits: You no longer have to pay for excessive employee time spent monitoring administrative renewals. Automated reminders ensure that each task is assigned to the responsible individual in time. As a result, it is simple to remain compliant with important issues like Health & Safety inspections and certification, meaning you avoid the possibility of expensive fines.

The business case for switching to digital asset management

“It absolutely pays for itself. We don’t have as many tools that are missing – just the knowledge that we can continue to track these and that it’s not a paper system. That makes a difference.”

Samuel Blakeman, Estimator, Blakeman Steel

Digital asset management software is increasingly easy to use and relatively cheap to implement. Importantly, cloud based platforms now keep your data more securely than ever. With the right choice of software and intelligent implementation, it will more than pay for itself very quickly – by cutting expenditure on physical assets, by freeing up staff time for more productive purposes, by eliminating delays on site and by reducing the likelihood of fines by accidentally failing to comply with regulations.

To learn more about how digital asset management can transform your construction business, please get in touch today.

Contact [relevant department] on [phone number] or at [email].



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