Learning Computers the Hard Way

Interview with Ward Smyth

"In 1987, any small building company, even just getting started, can afford and probably should buy a small computer."

Ward Smyth, of Salmon Creek Builders, in Salisbury, Conn., is a custom builder and remodeler. He works largely in the second-home market in northwestern Conn. His 1986 volume was about $1.15 million, which he hopes to double in 1987. Smyth's involvement with computers started in the pre-PC days of 1979 with a $32,000 monster that "sat in the corner and hummed." We interviewed Smyth in early April.

NEB: How'd you get started in construction?

Smyth: I've always been in the building business—mostly on the management side. I started in high school as a carpenter's helper. During college I worked for a general contractor, who I stayed with for seven years. We did a lot of government work, where your paperwork must be organized or you drown. Then I worked a couple of years for an unsuccessful condo developer. I learned how not paying attention to your paperwork can really cause problems.

NEB: How did you get started with computers?

Smyth: After that, I started a small business hoping to provide things like bookkeeping, general accounting, and cost control as a service to developers.

At that point, I bought the first computer that I was exposed to—a $32,000 minicomputer called Basic 4. The CPU was desk high and about three-feet square. This was 1979—before IBM had developed their PC line—ancient by computer standards. Then we went out and spent close to $17,000 on a software man, and sat down from scratch and started writing software. You couldn't just go to a computer store because they didn't exist then.

NEB: How long did it take to get the system running?

Smyth: It was probably nine months. We had a lot of stuff up and running in five or six months, but then came the debugging period. Also the realization period—something that sounded good when we were designing it, now that we were using it, didn't make sense at all.

NEB: What was it like working with the programmer?

Smyth: Once we got the program up and running, and started making changes, we were at the mercy of the software man. When things didn't work right, we'd call him up and wait two weeks. Also, he switched to hourly billing. It was grueling and frustrating, and probably what anybody in the pre-PC era went through that didn't have a data-processing department.

NEB: Where did you go from there?

Smyth: Two things happened. After a while, I decided I really wanted to be a builder and not a paper pusher. And in the middle of it all, IBM developed their PC. All of a sudden the man on the street could afford to go out and buy a computer.

NEB: So you went into the building business?

Smyth: We opened the door of Salmon Creek Builders in May of 1982, and we had a very large and elaborate computer system. By that time, software like Lotus became available for the PC. Similar software for our Basic 4 cost $3200. When we complained that Lotus was getting only $495, the rep said "Well, you're in with the big boys."

Also, we were now shelling out enough per year in maintenance to purchase a PC system. So we ran some ads to sell the Basic 4 in the Wall Street Journal and Hartford Courant, and with the Basic 4 users group, and waited by the phone—but it never rang. The rep said "Geez, I don't understand. They're selling like hotcakes."

NEB: Did you ever sell the beast?

Smyth: A guy from Boston who repackages this machine offered us $3,000. And he said, "We don't even want the software—I've got the stuff coming out of my ears." I talked him up to $3200, exactly 10 percent of what we paid. We didn't really need a write-off at that point.

NEB: Then you got the IBM?

Smyth: Before we bought the IBM, we had first selected our primary operating software, which was from a company in Boulder, Colo., called Small System Design. We spent an awful amount of time looking at software systems. There were a number of companies starting to put ads in the builder magazines, but buying a system is a long way from looking at an ad. I really wanted software that ran the way I wanted it to run.

NEB: How'd you settle on Small Systems Design?

Smyth: One day a mailer arrived. They seemed to be a lot like what we were looking for. Then the paranoia set in. Here we had been dealing with a guy who we couldn't get a response from. Now I'm going to jump in the tub with a company from Boulder, Colorado? So we called them up a lot and quizzed them on long lists of questions. They probably got sick and tired of my calls.

NEB: Then what?

Smyth: I asked them for a list of all their installations that were greater than one state away from the Boulder region. I called all 50 of them—mostly in Texas and Florida and on the West Coast. So I really satisfied myself that they were a very responsive and responsible company. At that point we were going to go with an integrated accounting and job-cost package.

NEB: What impressed you about the program?

Smyth: I like the way they interfaced their job costing. Most systems generate their job cost through accounts payable or through payroll. You don't really post the expense to a job until the bill comes in. Small Systems lets you post that cost directly. Ideally, I would have liked a purchase-order generated system.

Another big selling feature was their accessibility. You could call up the president of the company and he'd come to the phone.

NEB: After Basic 4, you were looking for support?

Smyth: When you buy software for a small building business, unless you're completely dissatisfied with your purchase, you're going to crawl into bed with them for a long time. You're not going to want to go through the process of redoing the whole installation process again. So you really want to spend time to make sure that it's going to work for you.

NEB: Did you get much detail about the applications before you made the purchase?

Smyth: They had a demo diskette with a mock company on it that you could carry through the operations. So while you might ask other users how they find a particular segment of the program, the demo gives you a good sense. Also, the literature tends to describe applications pretty well.

NEB: How about upgrades?

Smyth: Small Systems insisted when you bought your system that you buy a modem to be connected to them by telephone. That was their primary method of support. They would get upgrades to me right away. I couldn't think about sending diskettes back and forth in the mail.

NEB: Is there better software and hardware available today?

Smyth: I have a lot of friends who say, "Well, I'm going to hold off, because I hear there's a new program, a new model, a faster computer coming out." Ten years from now they could be saying the same thing. At some point, you've got to bite the bullet and say "We're going to buy this, and make a commitment to this company, because they're forward thinking enough that they are going to, improve at the same rate as the industry or faster."

Things that sounded good when we were designing the program—now that we were using it—didn't make sense at all.

NEB: So you're buying into a company more than a product?

Smyth: I think so. Absolutely. We must have gone though—-I can't even tell you the number of minor revisions, plus three major system upgrades. When you buy software, you buy an ongoing process.

NEB: Did your software do pretty much what you expected?

Smyth: It really did.

NEB: How long did it take you to get up to speed?

Smyth: Surprisingly, it only took us about six weeks. Because we had come off from computers, our books were in order and current. That represents the biggest problem I've seen with companies trying to computerize their bookkeeping. If you don't have an organized system on paper, you won't have *any* system on the computer. You can't sort-of-enter something on a computer. There's a slot for four digits; you have to give it four digits.

NEB: Who ran the system?

Smyth: When we first got the system, my wife Kitty was doing the bookkeeping. She got fluent in Small Systems Design very quickly. When she left the business, we brought in an outside bookkeeper, and we were impressed at how quickly the new person picked it up. The manuals are pretty helpful and the way they set up the menus was well organized.

NEB: Could the computer help not-so-good bookkeepers discipline themselves?

Smyth: Yes it would force people to keep the format consistent. If you don't, you won't have sloppy books, you'll just have *no* books. Three months down the road, you'll be three months behind.

NEB: How are computers likely to change a business structure?

Smyth: In most cases, it will make life easier and a little more organized for your bookkeeper. It will cut his or her time in a lot of aspects. For example, we did payroll manually at Salmon Creek and it took the better part of the morning. On computers, the payroll—for ten people—was cut down to about three quarters of an hour. The other advantage is that the minute you're done with payroll, all those costs and breakdowns have already been posted to job costing.

NEB: How else did it change your business?

Smyth: You gain numbers from the computer you normally never bothered looking at. For example, I have current job costs through Saturday night on my desk Tuesday morning. But I had to train myself to sit and look at the numbers, or they do no good.

NEB: What are the benefits of such timely information?

Smyth: In most construction businesses, labor is where you tend to fade away from your budget. The ability to come out and say, "Gee, do you realize that you've used up 75 percent of the framing budget and you're only on the first-floor deck?" can have an immediate impact on your foreman.

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NEB: Did you save on accounting?

Smyth: We close our books every month with the same level of detail that we close out our year, and only meet with our accountants twice a year. So we have cut down our annual accounting costs by about $1000.

Also, our ability to go into the bank with next year's business plan, cash-flow and budget projections, and be able to tell them our breakeven point to the nearest penny has greatly enhanced our ability to deal with the bank.

Part of this is due to the computer, part to the way we run our business.

NEB: Does the computer actually save time?

Smyth: The bookkeeper puts in the same number of hours, but it saves time in other ways. Because the office is more predictable, I don't have to go down and say to the bookkeeper, "Gee, did you get a chance to do those job reports?"

If you run a business out of your home, a computer can save you time in the sense that you could be upstairs having dinner while it was downstairs printing the payroll checks.

NEB: What's your biggest computer fiasco to date?

Smyth: Well, the time we looked the dumbest was when a customer was getting ready to leave for New York City—we had all the information you could ever want in the computer and for some unknown reason the printer wouldn't print. That's only happened twice—unfortunately to the same customer.

To date, we haven't lost any important information. We're very careful to back up our data. We've lost a little data once or twice in power failures, so now we have a battery backup system.

NEB: What was the biggest surprise about computerizing?

Smyth: The biggest mistake I made was to underestimate the amount of time that I would need to get involved with the computer. Anybody who is going to computerize their small business has got to realize that as the owner or manager, you've got to be ready to put in the nights to read the manual and learn the system. I've seen too many people frustrated with their system hand it to their bookkeeper and say "I don't have any time for this. You figure it out."

NEB: How has computerization affected your estimating?

Smyth: We do a sticks-and-bricks estimate. Computerizing has cut my estimating time on a typical house and site from 18 to 20 hours to about six. When I'm done, I virtually have a buy list. Also I have a 15-page report that gives you a lot of credibility with a customer. I sit down and have him understand why his job costs what it costs.

NEB: Are your estimates more accurate?

Smyth: A computer makes your estimates less emotional. For example, if you just came off the job from yelling at your crew for not producing enough, then sat down to manually estimate a first-floor deck, you'd have a much more negative view of the crew's production rate. With a computer you're more consistent.

The biggest problem has to do with the old expression "garbage in-garbage out." If it's a big error, it will show up right away. Like a house I was estimating that came up $7,000,000. I input square feet of roofing instead of squares.

But if you're only off by 15 percent on the input, and you don't pick it up in broad-brush perception, you're not going to make any money on that job.

Before I start estimating a house on computer, I eyeball the number of man-hours per square foot.

NEB: Does intuition still play a role?

Smyth: Yes. A word that's used with computerized estimating is "complexity." You've got to have complexity factors, for example, to distinguish interior walls from exterior walls. It's amazing though, if you take the standard house that you build—with some 2-foot closet walls and some 15-foot walls, it does average out. However, if you look at the plan and say "This is the weirdest house I've ever estimated," watch out for that.

NEB: Are computers for everyone?

Smyth: I think that some people don't want to be terribly organized. The computer never functions for them. Some say "I'm a builder. I don't have time to do that." But I think that any builder today who isn't out to run a business isn't going to be around for very long.

NEB: Any final advice to someone who's looking to purchase a system?

Smyth: I don't think that there's only one good one out there and you better find it. There are probably several good programs. You should make sure the backup is in place for you: support, question answering, and that kind of thing. Once you make your decision, you're married to the company. ■