

# The 7 Deadly Sins of Small to Medium-Sized Industrial Field Service & Rental Companies

## Special Report

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Solutions  
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**In today's  
industrial field  
service & rentals  
industry, it's not  
what you **make**  
that counts. It's  
what you **keep**.**

This challenge is particularly acute for smaller to medium-sized companies that might lack the organizational infrastructure and deeper pockets of the industry's largest players. In this Special Report, you'll learn how seven common mistakes rob these companies of sales and profits, cripple their return on investment (ROI) and reduce the economic value of the enterprise. Just as important, you'll learn how smart companies use sound operating processes and business software to fix their Sins and reap the rewards.

VistaVu Solutions has worked with industrial field service & rentals companies across North America for many years. During this time, we've seen over and over again how companies with similar equipment lineups, labor forces, projects and revenue can achieve radically different financial results. Some companies struggle to turn a profit, while others are highly profitable.

**In other words, it's not what you make that matters in this industry, but what you keep.**

There are many reasons why companies can under-perform. In our experience, most of the damage occurs when companies fail to manage, or actively mismanage, certain aspects of their operations.

**I call these *The 7 Deadly Sins*:**

- 1** Disparate systems
- 2** Lack of sales process
- 3** Asset underutilization
- 4** Item mismanagement
- 5** Poor billing practices
- 6** Lack of financial controls
- 7** Inability to scale

Regardless of a company's size, these Sins reduce efficiency, customer satisfaction, employee engagement and financial performance. Smaller to medium-sized firms, however, can feel the impact of these Sins more quickly and deeply than larger companies, which might also have better-performing business units and stronger cash reserves to lean on.

Coming to grips with their operational Sins, therefore, must be an urgent priority for smaller to medium-sized companies. The good news is, the Sins may be Deadly, but fixing them is often remarkably straightforward.

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**In this Special Report, we'll explore each Sin and how it costs you.**

We'll show how our customers and others use business software and process expertise to avoid or fix these Sins and reap a worthwhile profit.



# **The 1st Deadly Sin**

## **Disparate systems**



### **The Sin**

Some smaller to mid-sized companies use multiple software systems that require multiple entry of the same information. Very often, these companies run on a combination of paper, Excel®, a desktop accounting system and potentially a homegrown database of parts and equipment. They have no central repository for information and no single point of data entry. In a company's early years, it's possible to get along reasonably well this way.

**Are you losing track of your information because you have multiple systems?**



### **The Cost**

Having mix-and-match systems can cost you in a variety of ways. Companies with poor documentation and disparate systems lose bids because they can't provide proper records of their success stories. They can't fix problems, and errors occur in billing and ordering. Finally, no documentation means no exit strategy for the owners of the business, or at least the unwelcome likelihood of a far lower multiple when it's time to sell.



### **The Example**

VistaVu once worked with a company in the field service & rentals sector. In terms of size, they had between 100 and 250 employees, depending on how busy they were. This company ran multiple systems, with no centralized information — no single version of the data that everyone could follow.

The company would enter their bids and quotations in an Excel® file. Upper management sometimes didn't have a clear understanding of their opportunities. Jobs were being managed in a tracking log in Excel®, which of course could not speak to their financial or other business software. Their HR function and employee certificates and training programs were

managed with yet another software package. Field tickets were filled out by hand on paper and it would take the company days or weeks to enter these into their accounting system. This created long delays between doing their work and invoicing for it, let alone actually getting paid.

The company struggled along this way for years. Management eventually decided: enough. They realized they were spending too much time inputting and looking for information and not enough time focusing on what truly mattered for their business and their profitability.



### The Fix

Our FieldVu Package Solution called FieldVu Express, now lets them manage their business with a single system for everything. They now have access to their financials, inventory management, reporting, job costing, quotations, field tickets and work orders all under one umbrella.

**The software has boosted employee efficiency and satisfaction, and made it easier for everyone to communicate and ultimately drive revenue.**



## The 2nd Deadly Sin

### Lack of sales process



### The Sin

Lack of sales process is evident when a sales team can make commitments on the company's behalf without knowing for sure that the company can fulfill them. Without a systematic way to align sales and production planning, a company could be writing contracts it can't deliver on.

**Is your sales team making commitments the company can't deliver?**



## The Cost

When this Sin occurs, it can be a very serious problem. Operations personnel are upset because they are working overtime or under constant pressure. Margins suffer because materials are ordered at the last minute and labor is on overtime. Even the quality of the product or the deadline itself can suffer. While a big company might be able to shrug off the occasional mistake like this, it could be a serious blow for a smaller to medium-sized company. Clearly, a salesperson who writes an unfulfillable \$1 million contract won't be seeing a commission. He or she might just decide to take their skills and contacts to a better-organized company instead.



## The Example

Consider the case of one company VistaVu worked with a few years back, a manufacturer who rents industrial equipment. At the time, they were bidding on three projects, each worth more than \$1 million. They ended up closing two of the contracts, but both were scheduled for the same time frame. Given production and operational constraints, however, they could only deliver one of the projects to their usual high standards.

This company could easily incur \$100,000 in extra materials costs for these projects, by purchasing these materials from another supplier at a last-minute price point. Overtime on the extra \$1 million job could cost \$50,000. This extra \$150,000 in costs could wipe out any expected profit from this job. In which case, why take it on? Failure to deliver on time could also imperil a professional reputation that this company took years to build.



## The Fix

This Sin has a relatively easy fix. With a more efficient and communicative sales process, the company would have known what was coming and could resource itself appropriately.

**Today's CRM software — such as the one found in SAP ByDesign — brings rigor, discipline and visibility to the sales process, so sales can't promise what production can't deliver.**

Sales can easily review resource availability when quoting projects or writing contracts and can review historical job costs and profitability outcomes on similar projects to quote more accurately. With projects sold, planned and executed systematically, materials costs are minimized and overtime is kept to a minimum.



## **The 3rd Deadly Sin**

### **Asset underutilization**



#### **The Sin**

Asset underutilization is one result of companies lacking visibility into the status and location of their assets and equipment. These companies don't consistently know whether equipment is out in the field, and if so where, or whether it's in transit or undergoing maintenance.

**Where is the equipment? In the field? In transit? Undergoing maintenance?**



#### **The Cost**

In some cases, it's harder to locate a temporarily missing piece of equipment than it is to simply rent or even buy another one. Over time, a company can assemble an inventory of assets and equipment that's far larger than it truly needs. This also causes inefficiencies in transportation, with equipment spending more time on the road than needed.

Still, this unnecessary spending might not be the greatest cost of asset underutilization.

If equipment's not used efficiently, a company's people probably aren't deployed efficiently either. Hourly employees want a worthwhile number of hours, and when they don't get them, they may leave. Salaried employees are overhead and impair the company's profitability while they are waiting for equipment to become available or a job to kick off.



#### **The Example**

Take the case of one firm we know — a mid-sized company that rented out mud tanks. Very often, the company believed that it was fully booked. At any given time, however, several tanks were out in

the field but not being used, or had been returned but not properly documented. Each day, on average, this company had three to five tanks that were not being utilized. Given the size and rental price of these mud tanks, the company was missing out on hundreds of thousands of dollars per year in potential revenue.



### The Fix

FieldVu Express, the same software that brings your system under one roof, can also help you track every piece of equipment that matters to you.

**Using IoT, the movement of each piece is recorded so that, at any moment, you know where it is and whether or not it's making you money.**



## **The 4th Deadly Sin** **Item mismanagement**



### The Sin

Big assets like trucks and rigs are obviously highly material to the financial performance of a small to mid-sized industrial field services & rentals company. By contrast, smaller items can sometimes be treated as though they're more or less disposable. Think of everyday items like impact hammers, torque wrenches, tool cribs, gloves and goggles and coveralls. Individually, these items might be inexpensive. Taken together, they're a big deal and mismanaging them is a cardinal Sin.

**Do you know where your workplace tools are?**





## The Cost

When we don't have the right tools available when they're needed, it reflects badly on the company. If we have too much inventory, on the other hand, it costs money. According to some studies, for **\$1** in inventory you carry, it costs you **10¢ to 30¢** per year in extra costs.

Unfortunately, many companies write off tens or even hundreds of thousands of dollars each year in small tools, parts and other materials, simply because they can't keep track of them. This leads the companies to buy more and more of these items, so that what they need is always at hand.



## The Example

One welding company we know had a chronic problem losing tools on job sites. Their smaller items seemed to just grow legs and walk away. In fact, one of their managers often joked that other companies used to equip their trucks with the stuff his crews left behind. The company kept buying more and more tools to replace the ones left behind. In just a two-year period, this company

wrote off **\$300,000** worth of tools. That sum might be a minor irritation to a global player, but to a small to medium-sized firm, it's a lot of money.



## The Fix

The good news is, you can fix this Sin in short order. FieldVu Express helps with the specialized needs of oilfield service companies.

**The fix lies in Item Management, which delivers a clear protocol as to how parts, small tools, inventory and other assets are tracked and labelled in your system.**

Every item you want to track is given a part number and/or serialized and is entered into FieldVu Express to create an asset register. All items are counted and, just as important, valued in dollar terms. Processes can be put in place to track every item going out or coming in. It all starts with a management mindset that every asset — no matter how seemingly small — has value that should be maximized.



## The 5th Deadly Sin

### Poor billing practices



#### The Sin

The sooner you can get an invoice to your customer, the sooner you are likely to be paid. Just as important, your invoice needs to fully account for every dollar you're billing, with appropriate and well-organized documentation. Otherwise, the customer may reject your invoice or toss it into the 'problem pile', where it could sit for weeks or months on end. If it takes three weeks to get an invoice out the door, and three months to get paid because your documentation was poor, your business will suffer. That's a Sin.

**How long does it take you to get invoices out the door?**



#### The Cost

Poor billing practices can decimate your cash flow. That's because, even if it takes your company 30, 60, or 90 days to receive payment, your own people and suppliers still need to be paid on time. That leads you to dip into your working capital (which could be better employed) or your line of credit (which costs money).



#### The Example

A mid-sized electrical automation company came to VistaVu with a big-sized problem. This company typically worked with clients they have accounts with. After the job was completed, they would get paid according to their job field tickets and work authorized by the client.

This company was on the hook for **\$1 million** in outstanding invoices to one of their clients. The issue: lost field tickets. They had no proof of jobs being completed, nor did they have client signatures indicating work approval. Without the paper evidence, this company could not prove to the client which work was performed.

This dilemma pointed to a much bigger problem. Without digital field ticketing, the company was losing profitability and damaging relations with their clients.



## The Fix

Everyone's devoted to their paper field tickets, but the fact is, paper causes headaches and costs money. VistaVu worked with this company to develop a streamlined process for managing their field tickets digitally. Now, their dispatcher and operations managers can view field tickets. Service techs out on the field can view all their jobs and create field tickets for them. Most important, they are now able to get client signatures in the field, approving the work done and speeding up their DSO. They use the FieldVu Mobile application to help them capture data right in the field and send it directly back to head office with full accuracy and transparency.

**The company now gets paid within 7 to 14 days of jobs being completed. Huge Sin, easy fix.**



## **The 6th Deadly Sin** **Lack of financial controls**



### The Sin

Internal financial controls are intended to protect a company's profitability, by vesting appropriate duties with specific employees. This helps ensure that a company has the capital to invest in new technology, projects or people, in order to grow the business. There's a direct link between profitability and internal financial controls. When controls are absent, profitability cannot be taken for granted. A company without sound internal financial controls will find it difficult to grow. They won't have the money to invest in new technology to make the workplace more efficient, safe and environmentally friendly. This Sin may not be evident but it is a Sin.



## The Cost

The cost to the company is that with a lack of financial controls the negative implications snowball. The company won't have the money to pay people more as they grow in their jobs. The best people will leave and, ultimately, so will their best customers. Companies without internal financial controls are also vulnerable to losses due to fraud, theft and collusion. Without strong internal financial controls, auditing the business will be a more complex and costly process. When it's time to sell the business, owners will find that a lack of financial controls could cause their business to be valued lower than a comparably sized firm with better systems.



## The Example

For many of our other Sins, I've told you about a company that sinned, repented, fixed the Sin and moved on to better things. In this case, I'll tell you about a company that **should** have been at significant risk but managed this risk expertly. This VistaVu customer processes

11,000 accounts receivable items and 4,000 accounts payable items per year — with an accounting staff of just three. Processing so many items with such a small staff would normally be a recipe for risk.



## The Fix

**FieldVu Express enforces this company's financial control policies and optimizes the entire process.**

The first provision is segregation of duties. Accounting staff members are limited in terms of the types of modules and tasks they can access. Further controls come through the manner in which cash is allowed to enter or exit the system. The company is also strict about the way in which journal vouchers are managed with respect to third-party suppliers. This solution mitigated any potential loss in profitability and kept risk to a minimum.



## **The 7th Deadly Sin**

### **Inability to scale**



#### **The Sin**

Many players in the field service & rentals industry want to grow. In some cases, the aim is to grow revenue where they currently operate. For others, the plan is to move to new geographical areas as opportunities present themselves. The problem is, what worked at one operational size doesn't necessarily translate as they grow.



#### **The Cost**

When companies lack the ability to scale their operations — successfully and profitably — it can put the whole enterprise at risk. When you consider the investments made by ownership, management and staff, that's a Sin.



#### **The Example**

VistaVu worked with a client that wanted to expand geographically. The owner sensed the potential risk involved. His employees knew their jobs and the company's systems well. He worried that expanding the business and hiring more people would cause him to lose control over day-to-day operations. In order to expand, he needed a system that could streamline their processes and allow them to scale worry-free.



#### **The Fix**

FieldVu Express puts controls and processes in place so that any individual can easily pick up and follow. This has enabled the company to focus on growing their business even if they hire new employees, or if people leave or go on vacation. It allowed one of our publicly traded clients to grow from \$100M to \$500M with the necessary systems to manage their business.

**The company's time-tested operational processes are baked into their software. Now, they're free to think big.**



These are the 7 Deadly Sins of Small to Medium-Sized Industrial Field Service & Rental Companies. Many companies are guilty of some of these Sins, at least some of the time. The question is if any of these Sins seem a little too familiar, what are you going to do about it?

Take a moment to look at your operations. Isn't it time for you to scale and take your business to the next level?

For hundreds of small to medium-sized companies, we've been able to help them overcome these Sins to be more efficient, more profitable, more attractive to their best-performing employees and ultimately more valuable for their owners and shareholders.

We'd be happy to talk with you about how we can help fix your company's Sins, please email us.



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