
The Ideal Construction Dashboard

TRAVELERS 

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Webinar

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Disclaimer

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Unless otherwise specified, the figures and statistics contained herein are produced by FBI using data compiled from FBI's Performance Roundtable Program.

The Ideal Construction Dashboard

What You'll Learn

1. Why?
2. Benchmarks
3. Trending
4. Dashboard components and explanation
5. What to do NOW

The Ideal Construction Dashboard

“What gets measured gets done!”

- 1. Profit Performance**
- 2. Operational Performance**
- 3. Pre-construction, Estimating, and Business Development Performance**
- 4. Culture and Organizational Metrics**
- 5. Capital and Cash Management**

The Ideal Construction Dashboard

“What gets measured gets done!”

1. Profit Performance

- Gross Profit (GP) Booked vs. Goal, Current Year, and Following Year
- Overhead (OH) vs. Goal YTD
- Annual ROA for the month/YTD vs. Target
- Annual ROE for the month/YTD vs. Target
- Return on Sales Revenue (ROS) for the month/YTD vs. Target
- Projected % of Employee Bonus Pool Earned (optional)

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2. Operational Performance Indicators

- Gain to Fade Ratio
- Billings Latest Month
- Schedule
- Change Orders Outstanding
- Contingency Carried as of Month End
- Gross Profit Per Team Members vs. Target

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3. Pre-construction, Estimating, and Business Development Performance

- Backlog
- Pre-con Revenue vs. Pre-con Cost vs. Goal
- New “lifetime customer” prospects booked
- % of book work negotiated, best value, qualified/select bid, open bid
- # of new subs with winning numbers YTD vs. goal

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4. Culture and Organizational Metrics

- Headcount vs. Target
- Turnover Rate
- Community Involvement
- Employee Morale/Engagement

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5. Capital and Cash Management

- 12 month Rolling Days A/R Inclusive of Retention
- 12 Month Rolling Days A/R Without Retention
- Ratio of A/R to A/P
- Equity
- Working Capital
- Days Past Beginning of Month Financial Package is Distributed
- Other Income Earned
- Cash

What to do NOW – The Construction Economy and Putting Your Dashboard to Work



The Construction Economy and Putting Your Dashboard to Work

There are generally considered four stages of the economic cycle, defined by our four seasons of weather:

- a) Spring = Early recovery
- b) Summer = Growth
- c) Autumn = Harvest
- d) Winter = Recession

The Construction Economy and Putting Your Dashboard to Work

If you accept that we are nearing recession, and this is harvest time, this may be the highest profit stage of the economic cycle where you want to reap the benefits of growth and consolidate your market share.

In short, keep your foot on the gas, build long term backlog (preferably with public or institutional work), and maintain a strong balance sheet. Increase your credit line while times are good and banking is loose

The Construction Economy and Putting Your Dashboard to Work

- When the downward cycle starts, and pricing starts to worsen, continue to pursue long term backlog aggressively. Get lower before your market competitors because it will only get worse later! You don't want to be swimming with the pigs at the bottom of the trough!
- Keep capital in your company (or in another pocket but available to the company) as you don't want to be either threatened by low capital or have your potential strategies altered by low capital in a downturn – cash is king and gives you many advantages and opportunities when the market is soft!
 - Be willing and able financially to keep your core team intact for strong performance during the recession and a strong and quick recovery afterwards – even if this means taking a short term loss. That's why you reap the profits now in good times – to put you in position for the future

The Construction Economy and Putting Your Dashboard to Work

- When you do need to cut overhead, cut people as opposed to salaries or benefits. Raises and bonuses may suffer, but you want the remaining people to be happy, confident and motivated. If workloads allow, cut early and deep so you don't have to keep cutting every month – death by a thousand cuts demoralizes everyone and creates too much uncertainty about who is next
- Communicate more, not less – no bunker mentality – and paint a positive and certain future for your employees
- Hopefully, you remained efficient in the good times, but if you haven't, root out the inefficiencies so you are humming as a finely tuned machine before you have to be

Regional and Sector Indicators

Some markets are more affected by recessionary factors than others and, depending upon the core causes and characteristics of a particular recession, and certain industry sectors may be more affected than others. For example:

- Oil prices are very strong now, and this is a boon to industrial production and several sections of the country where oil is a big driver of economic activity. What happens if this reverses?
- Michigan is quite sensitive to the auto industry which has seen a strong recovery, and Michigan construction has followed suit. But recent interest rate and cost factors have slowed auto sales. Will Michigan and other auto-sensitive markets follow?

Regional and Sector Indicators

- Agriculture is struggling with low commodity prices and tariff/export issues. Will this affect construction in the breadbasket?
- The sunbelt is hot again with retirees and vacation influx. If the last recession is an example, might what goes up fastest come down fastest?
- State capitals and areas with significant college, government, or health care tend to be more recession proof. Will this continue?

These industry sector or geographical differences are important in planning for the future. Use your dashboard and this economic scenario forecast to your advantage as you plan for 2019 and beyond

The Family Business Institute's mission is to help contractors make more money in less time with fewer headaches and a higher quality of life

**We welcome your questions and feedback –
please call or email us at**

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