



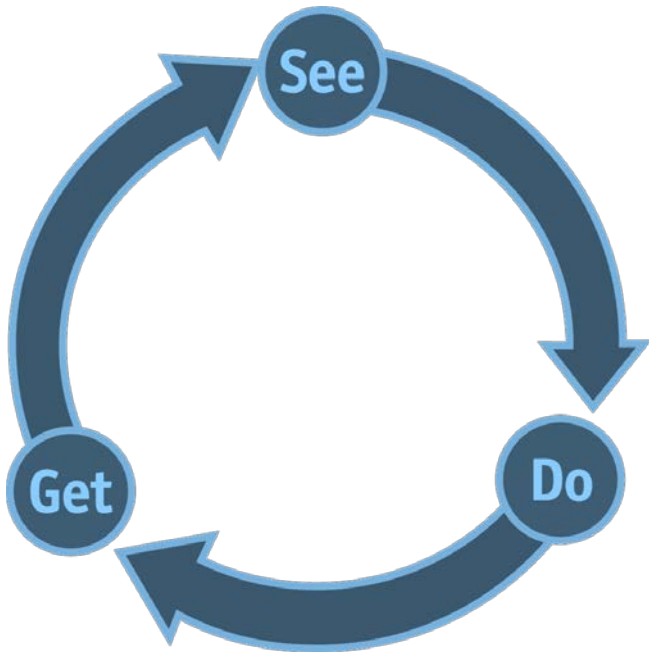
Key Characteristics of Profitable Construction Companies

Maryland Construction Network

May 8, 2014

How do you view profit?

Paradigm – Are you seeing it correctly?



Profit is under assault in our culture but is the foundation of a healthy culture, let alone a successful business.

Necessary conditions for material prosperity

Prosperity



Increased productivity



Tools (investment)



Surplus capital



Profit

Integrity of Leadership

- Not all about me – *Good to Great* by Jim Collins
- Inspiring trust – *Speed of Trust* by Stephen Covey, Jr.
- Merit-based reward system
- Unleash talent
- Employees more important than customer
- Hold people accountable to what matters

Effective pricing / bid policies

Don't assume the profit will be made on change orders



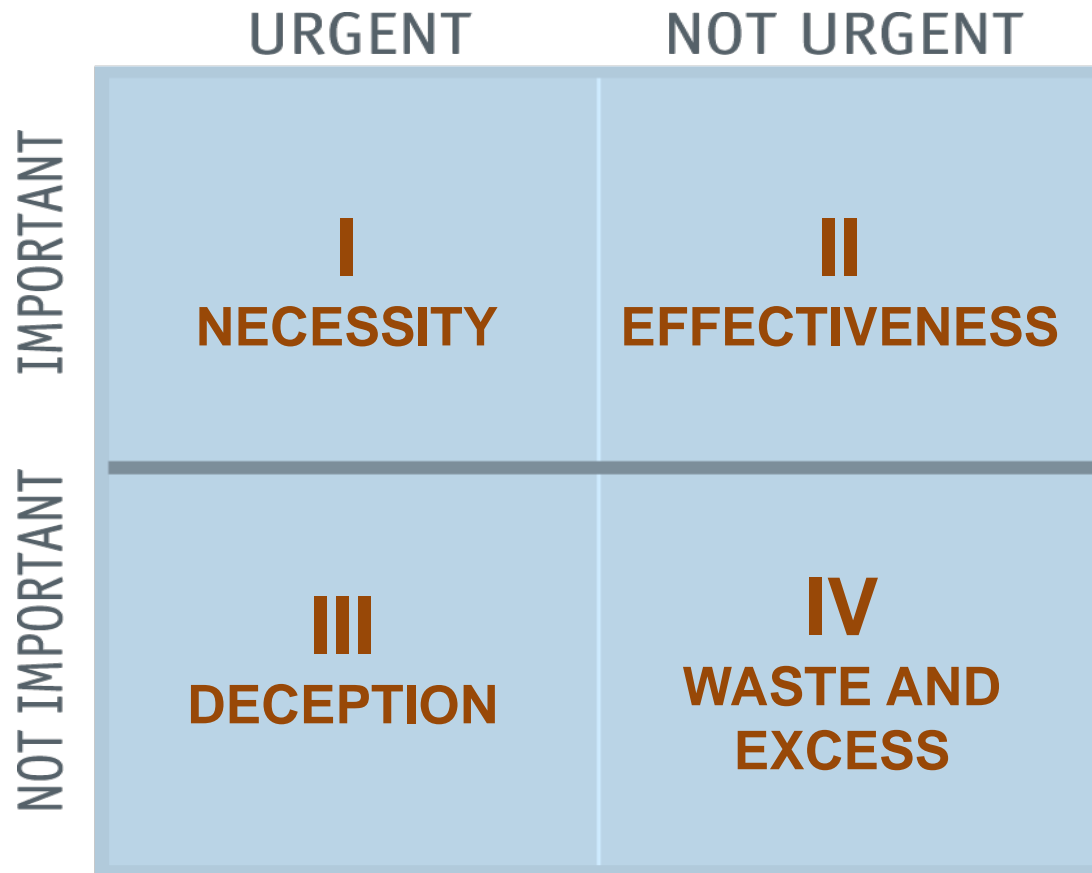
Effective pricing / bid policies

- Recognize that not everyone is good at pricing (price integrity)
- Those responsible for bidding work have an excellent grasp of all costs connected to contract performance, both variable and fixed
- Proposals are reviewed

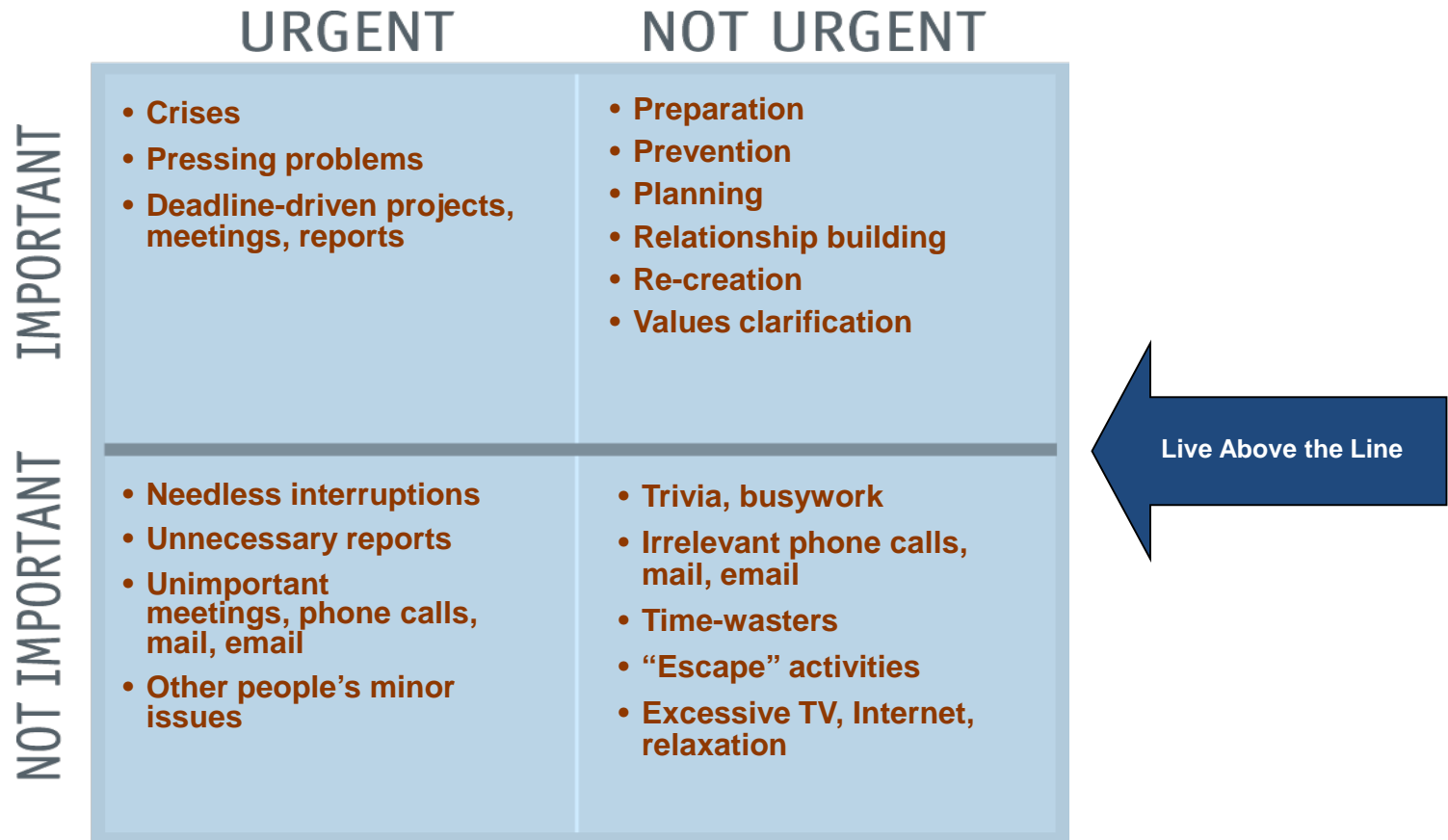
Effective pricing / bid policies

- Effective training
- Understand price leverage / sensitivity and payment resistance and its impact, particularly in change order policies
- Aware of range of pricing and when to walk away

Effective planning and project management



Effective planning and project management



Effective planning and project management

What percentage of their time do workers spend “below the line”?

40%

Understand contract life cycle – profits primarily earned in the beginning phases

Effective planning and project management

Team coordination and communication is paramount and put in procedures to overcome natural roadblocks.

Examples:

- Weekly “clear the path” meetings
- Work in process meetings
- Eat That Frog mentality
- Utilizing available technology – field capabilities

Effective planning and project management

FOCUS ON THE JOB TO BE DONE

Other characteristics

- Value the accounting process and importance of good job costing
- Stick to their core competencies – Hedgehog concept
- Good employee evaluation and review policies

Construction calculators

Download our free construction calculators:

Burdened Hourly Rate Calculator

This calculator will help you develop hourly rates for your employees that account for all possible expenses, and ultimately, bid better.

<http://bit.ly/HourlyRateCalculator>

Work in Progress (WIP) Calculator

This calculator will give you more insight about your company's financial performance than you can get from your balance sheet or income statement.

<http://bit.ly/WIPCalculator>

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Questions?

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