



Turning A Financial Downturn Into A Win For Your Construction Company

“Two rules: #1 Preserve the principal and #2 When in doubt, see Rule #1.” – Warren Buffet

QUESTION: *What possible good could come out of the construction slow down?*

ANSWER: *Too many to cover in just one short article!*

Here are just a few. Of course some action may be required on your part. This first series is on cutting the fat and turning a financial downturn into a win for your construction company.

- Forced Ranking:** Look around your company for those employees that just don't shine quite as brightly as others. Now trim the fat. Use this time to get rid of "Okay" performers. Think very carefully before cutting key employees. Ranking on detailed lists will help. Many of the costs for replacement are hidden. Long term employees know and understand your business. It's essential during vast change to keep together a cohesive core.

- Salaries & Wages:** Where did salaries go through this last building craze? Through the roof. Guess what? The slope just changed. Take command of your company. Trim just five or ten percent across the board while it's here. Will it go over well?

WHERE TO TRIM...

- Forced Ranking
- Salaries & Wages
- Equal Opportunity
- Insurance & Taxes
- Overhead
- Profitable Details
- Harness Brainpower
- Tighten Controls
- Renegotiate Everything



Probably not. However, having a job is much better than standing in the unemployment line. Employees will recover nicely, especially when the realization that over fifty percent of the positions in home building and other sectors don't exist any longer. Let them go look. It's not out there.

❑ **Equal Opportunity:** One last thought on employment: age, race, weight, and sex all seem to have come to the aid of some in the way of job security. Any cuts made with a broad enough knife can include all those politically correct classes. Tough love.

❑ **Insurance & Taxes:** Be sure you've scrutinized your insurance policies. Be sure to adjust estimated payrolls for projected premiums. Look at your estimated tax payments. Be sure they are re-aligned. The impact on cash flow from adjusted tax deposits and premiums can only be of help.

❑ **Overhead:** Look up. Why? Because I want you to see what's overhead. That's right; no doubt things became a little cushy. Trim it all. Many costs as you downsize naturally fall. Look at your floor space. It's not going to shrink. If, like many contractors you own the building, cost compare renting a smaller space, leasing your space to another business. If you've recently built, the change may pencil.

❑ **Profitable Details:** Keep the knife sharpener handy. Cuts don't have to be deep nor drastic by any means. From toilet paper quantities, to pencils, to cell phone plans, to benefits, cinch it in. Lock it up if you must and designate a gatekeeper.

❑ **Harness Brainpower:** Hold brainstorming sessions on how savings can be achieved with key employees and their subordinates. Create departmental teams and offer incentives for finding ways to save or increase efficiencies.

❑ **Tighten Controls:** Take a very close look at your material handling or lack thereof. Take your field guys to the conference room. Audit material handling and develop strict material handling training and processes. No nail shall go unclaimed. No board shall be

\$100,000

What would you do with this extra money?

CHALLENGE

Subcontractor Total Sales Fell From **\$14M** to **\$10M**

SOLUTION

Project Assistant to Part Time:	\$ 18,700
Lay-Off Lowest Ranking Foreman:	\$ 55,000
Sold Under Utilized Man Lift:	\$ 6,800
Re-Align Insurance Premium:	\$ 11,500
Sublet Warehouse #2:	\$ 14,400

cut too short. Use them as your tool for coming up with best practices. Most of it should stick when the heat dials up again. You'll be operating as the new trimmer you.

- ❑ **Renegotiate Everything:** Renegotiate with vendors. How low can they go? Negotiate a long term relationship to stabilize your costs.

Coming Soon: This is just the first in an entire series of articles and tools that will help you manage through a financial downturn and come out stronger on the other side.

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D. Brown Management has successfully helped a variety of different contractors manage business processes, systems and training. We consistently perform by improving cash flow and profitability for our clients through innovative tools producing great results. A third party can make it much easier to make the necessary hard changes in times of cutting back. We can push you past the emotions by illustrating the harsh reality of not taking action. This validation relieves stress at critical junctures. We offer onsite coaching and sessions that can be done remotely to minimize the impact on your team. Our team is from construction working exclusively for contractors.

One area where we find a lot of efficiencies and profit is in the tighter integration between operations and accounting. Learn more at:

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