

ASSESSMENT TOOLS

Helping Contractors Grow Profitably

D. BROWN
MANAGEMENT

www.dbrownmanagement.com

INCLUDES SELF-ASSESSMENT

WORK-IN-PROGRESS

Using the WIP Report as a Critical Management Process


Interviews, Observations, System Review And Industry Best Practices Comparison

		ESTIMATING			PROJECTS			ACCOUNTING			MANAGEMENT			OWNERS		
JOB #	DESCRIPTION	CONTRACT / PROJECTED			JOB TO-DATE (EARNED)			BILLED			BACKLOG					
		REVENUE	BUDGET	MARGIN	% COMP	REVENUE	COSTS	MARGIN	JTD	OVER	UNDER	REVENUE	COSTS	MARGIN		
06-001	AVERAGE JOB	500,000	400,000	100,000 20.0%	25.0%	125,000	100,000	25,000	100,000	-	25,000	375,000	300,000	75,000		
06-002	GREAT JOB	1,000,000	750,000	250,000 25.0%	50.0%	500,000	375,000	125,000	50,000							
06-003	JOB FROM HADES	750,000	742,000	8,000 1.1%	99.7%	747,978	740,000	7,978	60,000							
06-004	NOT-SO-GREAT JOB	350,000	325,000	25,000 7.1%	69.2%	242,308	225,000	17,308	15,000							
06-005	GROWING JOB	100,000	80,000	20,000 20.0%	50.0%	50,000	40,000	10,000	7,000							
TOTALS		2,700,000	2,297,000	403,000 14.9%	64.4%	1,665,286	1,480,000	185,286	1,550,000							






REVIEW MEETING







A Hands-On Approach

Assessment Tools for Contractors

A key to driving consistent operational improvements is to conduct regular assessments for the purposes of setting goals, tracking progress, and benchmarking against best practices in the construction industry. D. Brown Management has created a series of **Assessment Tools** specifically designed for contractors that focus on different parts of the entire operation.

Strategic Plan & Implementation

Field Productivity

Contractor Technology Systems

Estimating and Bid Processes

Contractor Valuation Factors

Customer Satisfaction

Organizational Structure – Talent

Marketing and Business Development

Financial Management and Controls

Project Management Systems

Operations and Accounting Integration

Work-In-Progress Forecasting Systems

Purchasing and Subcontract Management

Construction Software Utilization

Service Management

D. Brown Management's **Assessments Tools** for contractors are designed to provide quantitative and qualitative feedback relying both on structured 360° interviews and observations, as well as analysis of key metrics. This combination provides complete feedback for everyone in the organization and forms the basis for implementing and measuring change.

- ❑ **Executive Self-Assessments:** Designed to be implemented by the contractor's management team, these valuable tools will help owners and managers gain some additional insight into their business.

- ❑ **Assessment Services:** A third-party review of your company provides additional insight that isn't often available when assessments are conducted by the contractor's management team. Third-party interviews provide a neutral ground, giving the contractor's team an increased feeling of comfort so that they are more apt to talk freely about the problems and possible solutions. A core component of all D. Brown Management assessments is how the contractor is performing against industry benchmarks of similar sizes and types of companies, as well as what needs to be put in place to reach the next levels of growth.

If you are interested in learning more, please go to our website or contact us:

www.dbrownmanagement.com

(916) 912-4200 PHONE

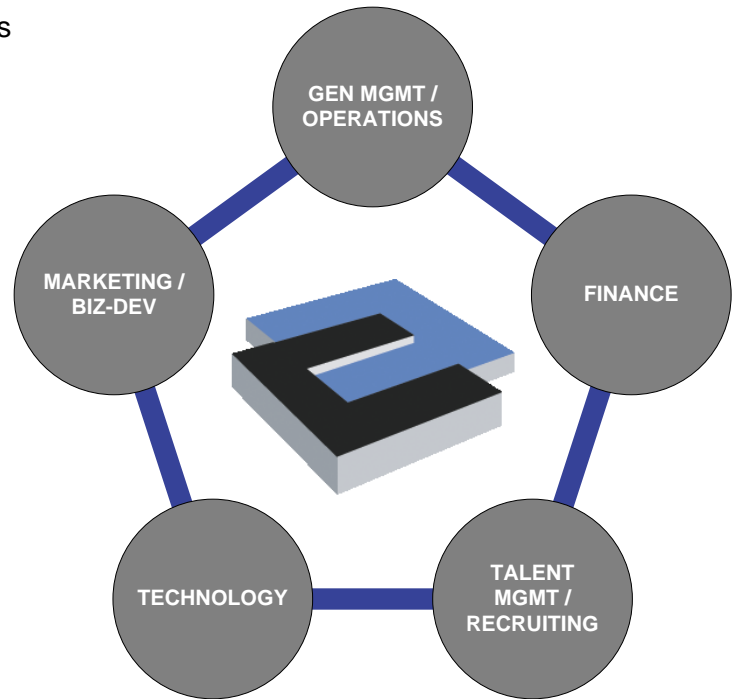
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A Hands-On Approach

About D. Brown Management

Headquartered in Northern California, D. Brown Management provides a comprehensive scope of general management solutions to construction clients nationwide, including strategy, planning, operations, field productivity, workflow, financial management, technology, and marketing. With D. Brown Management, organizations can improve processes, productivity, and ultimately profitability.

Working with D. Brown Management is like having a team of very well-rounded executives working closely with you to solve a variety of business problems on an as-needed basis.



Assessment Management (Work-In-Progress Processes)



BRIAN M. ANDREW is a Senior Consultant with D. Brown Management and leader of the company's Financial Solutions Group. Brian has over 20 years of accounting experience, including seven years as the CFO of an electrical contractor and significant experience consulting with hundreds of contractors across the United States. Brian takes a hands-on approach working with clients to integrate their accounting more tightly with operations and improve their overall information systems.

Brian holds a Bachelor of Business Administration in Management Information Systems and Accounting from the University of Georgia and is an active member of various industry associations including CFMA.

A Hands-On Approach

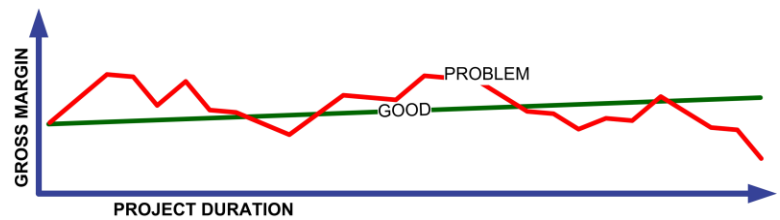
Work-In-Progress Process Assessment

There are few things more effective for improving bottom-line performance than having a rigorous Work-In-Progress (WIP) review processes built into the culture.

The WIP report is the core of a construction company's financial statements and the backlog / forecast sections can provide valuable feedback to estimators for pricing bids effectively.

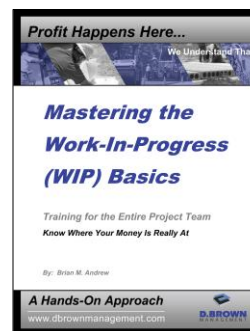
Consistent and predictable project profit margins are key to running a stable contracting business.

		ESTIMATING			PROJECTS			ACCOUNTING			MANAGEMENT			OWNERS		
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The **WIP Process Assessment** is designed to look at all areas of the contractor's business that affect the accuracy of the WIP Report – both directly and indirectly. The assessment is broken into five key phases as described on the following page. Areas reviewed include:

- WIP reporting formats
- Tying the WIP to the P&L and Balance Sheet
- WIP accuracy – margin gain & fade
- Using the WIP to forecast Cash Flow
- Getting all costs into the WIP (Indirects)
- Management of over / under billings
- Automating the WIP with your software
- The 4 pillars of information every PM should have and the 3 critical questions every PM should know the answer to - at all times
- Best-Practices for project review meetings
- Projection tools and formats
- Managing banking and surety reporting
- Effective month-end close-out processes



Free electronic version of the WIP Basics workbook to use internally to help train and align the entire project team

SUMMARY REPORT & EXECUTIVE REVIEW MEETING

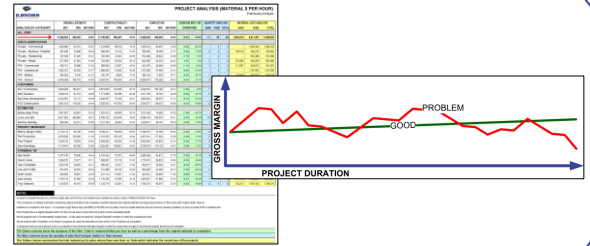
- Comparison against construction industry benchmarks and best practices**
- Utilization of software and technology to streamline the WIP process**
- Team involvement in the WIP process and communication**
- Recommendations for improvement and 90-day action plan**

A Hands-On Approach

Work-In-Progress Process Assessment – 5 Key Phases

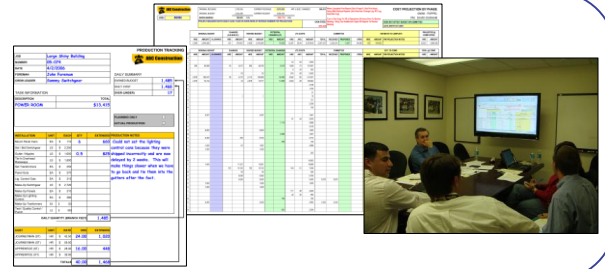
Project Financial Performance Evaluation

The initial step in the assessment is to do a financial review of completed projects during the prior 24 months looking for trends in margin gain / fade. This financial review provides the basis for some of the questions asked during the interview process.



Feedback & Reporting Systems Review

Like a scoreboard at a sporting event and the post-game reviews that the coach leads the team through after each game the reporting mechanisms that a contractor uses drive the WIP Review Process. The assessment will include a thorough review of these systems including how well they are understood and utilized by the team, their accuracy, opportunities for improvement and how the process can be streamlined with technology.



Structured Interviews & Observations

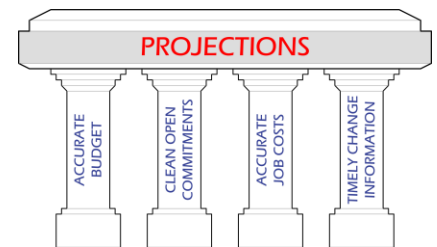
As a tool for assessment and change structured interviews are a key tool for helping identify problems and opportunities. All key managers will be interviewed as well as a selected cross-section of the project team and estimators. The goal will be to get a 360 degree viewpoint from all people involved directly or indirectly in the creation of an accurate WIP report.



Supporting Systems For Accurate Projections

Projection accuracy is directly related to solid, accurate and timely supporting systems. Part of the assessment will be a thorough review of these systems.

- Estimating and budgeting process
- Commitment management – purchases, subcontracts and changes
- Accurate and timely job costs
- Effective change order management



Summary Report & Executive Review Meeting

Upon completion a final report will be prepared with detailed recommendations, flowcharts for critical processes where we find potentials for improvement, mock-ups for improved reporting, quantitative analysis information where applicable and summaries of anecdotal information learned during the interview and observation process.

This report will be reviewed with the executive team and as an option can be reviewed with a wider audience of the project team during an on-site training and facilitation session.



SIMPLE GUARANTEE: If you are not satisfied with the quality of the work you are not obligated to pay.

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WHAT TO EXPECT

Work-In-Progress (WIP) reporting is the core of the financial and management reporting for construction companies.

While the WIP report is valuable a standalone, the real return comes from workflow processes that must be implemented to produce accurate WIP reporting and eliminate the wild swings in gain/fade that occur over time.

Our assessment focuses on the reporting and the underlying processes, providing a holistic view on how performance can be improved from estimating through operations and into accounting.

These assessments are conducted with growth in mind – exposing the best practices followed by top-tier contractors. Implementing these practices into your current processes will improve your bottom-line and reduce risk.

This assessment will bring the entire team together to work toward improving the company as a whole.

CONTACT

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THE PROCESS

- ❑ Register your company online or via Fax
- ❑ We will send you a Non-Disclosure Agreement, as we will be sharing sensitive information as part of the process
- ❑ You will receive a brief questionnaire, including a request for certain reports and other information relevant to the WIP
- ❑ We will schedule a brief initial interview to review and clarify the answers and items received
- ❑ You will receive a PDF version of our workbook “Mastering The WIP Basics” that you can use internally for working with your team
- ❑ We will provide a structured assessment agenda prepared specifically for your company
- ❑ We will provide a Summary Report with recommended action items

The actual assessment is typically done via an online meeting and conference call, usually lasting 3 to 4 hours. Scheduling will be coordinated to fit everyone’s calendar.

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Work-In-Progress Process Assessment Pricing

WIP Process Assessment, including: **\$ 1,250**

- 2 year project financial review
 - Review of reporting systems and tools
 - Structured interviews with team
 - Review of systems supporting accurate projections
 - Executive report and review meeting
-

OPTIONAL – WIP Training With Project Team (ONLINE – Phone / Web) **\$ 650**

- 4 hour hands-on training session
 - Utilizes 'Mastering the WIP Basics' workbook
 - Will include elements of the WIP Assessment
-

OPTIONAL – WIP Training With Project Team (ON-SITE) **\$ 2,500**

- Same as above except on-site facilitation
- Will include an additional in-depth review of the WIP Assessment with the broader project team

+ Travel Expenses



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Beyond The Assessment – Improving The WIP Process

Work-In-Progress reporting is NOT about creating the WIP report; it is about refining all the processes that lead up to an accurate financial model of your projects. We take a structured, yet customized approach, working with your team to refine each applicable area to maximize the bottom-line and improve your cash flow.

ESTIMATING >>> JOB BUDGET

This is where the entire process starts. Without an accurate baseline budget, it is nearly **IMPOSSIBLE** to create an accurate WIP. Aligning the estimating and budgeting processes as closely as possible to the construction processes allows for optimal project tracking. Automating the flow of information from the estimating system to the accounting system will save time and reduce errors.

BILLING – SCHEDULE OF VALUES

CASH IS KING - especially in today's economy. The process of improving cash flow starts with the billing processes.

The Work-In-Progress helps you manage the difference between cash vs. profit and quickly identifies billing performance problems.

CHANGE ORDER MANAGEMENT

Effective Change Order Management can preserve or even **IMPROVE PROFITABILITY** on a project. Without the most current changes (including those that are un-processed) reflected in the accounting system and on the WIP, you will have an inaccurate model of your business that can lead to flawed management decisions. **INTEGRATION** is the key, including flow-down changes to subcontractors and vendors.

INDIRECT JOB COSTS

Accurately reflecting Indirect Costs in job costs based on actual utilization, rather than a blanket allocation will improve the accuracy of the WIP, bids, and ultimately your business decisions.

EQUIPMENT / TOOLS / WAREHOUSE / INSURANCES

COMMITTED COSTS

Managing the buyout process, including purchase orders and subcontracts, is one of the key ways a contractor **CONTROLS RISK and MANAGES COSTS**. Tightly integrating committed costs with the accounting system can help Project Managers forecast their jobs easier and allow Accounting to **FORECAST CASH FLOW** more accurately.

PRODUCTION TRACKING

There are few things that will improve profitability or provide a more accurate forecast than implementing a field production tracking process.

For many contractors improving field labor productivity will provide a significant **BIDDING ADVANTAGE**, helping them acquire more work in today's difficult economy.

FORECASTING TOOLS

The tools that the Project Team uses to forecast their projects should be integrated completely with the accounting system and automated as much as possible to **MINIMIZE DOUBLE ENTRY** and the mistakes that come along with it.

D. Brown Management **SPECIALIZES** in helping contractors develop these tools that improve forecasting **ACCURACY**.

PROJECT REVIEW MEETINGS

The most important component of the WIP process is establishing effective communication that focuses the entire team on project results. There is no software or other systems that can replace **EFFECTIVE COMMUNICATION** for building profits.



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THE WORK-IN-PROGRESS (WIP) REPORT

Developing the processes that communicate real-time project information will produce accurate WIP reports that build the other mission-critical reports, such as:

- Cash Flow and Profit Forecasting**
- Backlog, Run-Off and Gain/Fade Reporting**
- Accurate P&L Statement and Balance Sheet that tie to the WIP**

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Work-In-Progress Process Executive Self-Assessment

This outline is designed to serve as a meeting agenda / checklist for construction company owners and executives so they can better manage this critical tool. It is meant to help guide discussions between management, accounting, operations, estimating, and your outside stakeholders and advisors.

If you don't understand (or don't like) the answers to each of the discussion topics below, you need to keep asking.

- Do you get a complete financial package within 20 days of the close of the month or less?
- Do they include accurate Work-In-Progress (WIP), Cash and Profit Projections, Backlog, Margin Fade/Gain, Labor Indirect Analysis, and Equipment Utilization?
- Do all your reports tie together (WIP to P&L and Balance Sheet, Supplemental Reports to Summary Reports)?
- How automatically do these reports run from your accounting software or is there a lot of manual input involved that takes a long time and makes them prone to errors?
- How far out and how accurately are you using your WIP to forecast your cash flow?
- Do your Project Managers, Superintendents, and Foremen regularly use the job cost reports from the accounting software to track and manage their jobs?
- Does your accounting system match your bank account balance within 1 day? 5 days? 30 days? Worse?
- Do your Job Cost reports reflect field-directed Change Orders on a real-time basis?
- How accurate are your projections for the WIP? Do you measure the accuracy?
- Do you use field production tracking to provide feedback for the WIP and for estimating?
- Are all job related equipment/vehicle costs charged to the job on a regular basis and included in your estimates?
- If you log into your accounting system and run a job cost report right now, how old is the information?
- Do you have a Purchase Order and/or Subcontract process in place for managing committed costs and does it integrate with your accounting system to help project cash flow?
- Can your project team, including PM's, PE's, PA's, Foreman, Superintendents, Estimators, and Operations Managers clearly define how their actions impact Gross Profit, Net Profit, and Cash Flow?

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Retainer Programs – RESULTS!

"Execution is a **systematic process** of rigorously **discussing** hows and whats, tenaciously **following through** and ensuring **accountability**."

Larry Bossidy & Ram Charan / Execution: The Discipline of Getting Things Done

▶ Retainer Overview

Producing results is about the balance of fresh ideas combined with a structured system designed to help execute those ideas as quickly as possible.

Long-Term Development Plan: A 12-60 month plan with quarterly milestones.

Executive Meetings: Regular meetings with senior management; focused progress and major corrections as required.

Operational Meetings: Regular hands-on meetings with the entire team to keep everyone on the same page and all action-items on track.

Facilitation / Implementation: On-site consulting built into the program to help maintain focus, generate fresh ideas, and get past roadblocks.

Coaching: Consultant follow-up between meetings with individuals helps with training and personal development of team members.

Online Management System: Web-based tool to keep track of all project correspondence, files, action-items, and milestones with e-mail notifications.

Follow-Up: Proactive follow-up with individual team members regarding their action items by Project Coordinator.

Resources: D. Brown Management is constantly developing new training content and operational programs to help contractors grow more efficiently. All retainer clients have full access to this content.

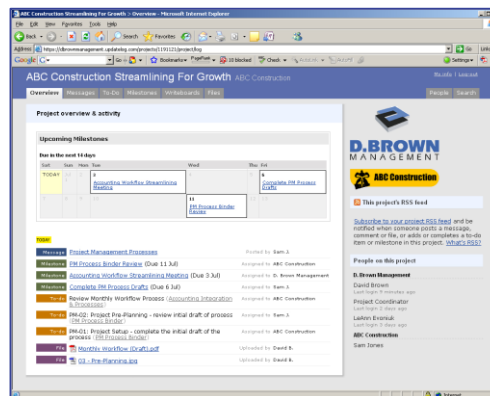
▶ Your Custom Development Plan

NO	DESCRIPTION	YEAR 1				YEAR 2				YEAR 3				YEAR 4				YEAR 5					
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
1	Financial System																						
a	Regular Reporting, Current Status																						
b	Processes & Controls																						
c	Historical (Forensic) Analysis																						
d	Accounting System Upgrade																						
e	GL To Match Organizational Structure																						
f	Automatic Reporting																						
g	Medium Sized Adjustments (GL & Rep)																						
h	Minor Adjustments (GL & Rep)																						
2	Project Management																						
a	Processes & Controls																						
b	Budgeting & Production Tracking																						
c	Projections (Estimate-To-Complete)																						
d	Refinements (Process & Software)																						
e	Minor Adjustments																						
3	Talent																						
a	Formal Review & Development Process																						
b	Organizational Structure (Market Driven)																						
c	Results Measurement Process																						
d	Talent Gap Analysis																						
e	Recruiting & Training Plan																						
f	Continuous Improvement Training																						
4	Market Development																						
a	Current Customers/Markets																						
b	Future Market Goals																						
c	Current Market Expansion																						
d	Market Opportunity Analysis																						
e	Business & Marketing Plans																						
f	New Market Start-Up																						
ANNUAL RESULTS		Better financial controls & historical analysis of business				Financial and PM processes in place, starting to develop client processes, improve organizational structure and strengthen current markets				Developing performance measurements and determine future Talent needs, looking for new Market Opportunities				Defining your Talent while developing plans to enter new Market Areas and starting to develop the best opportunities.									
Timeline and results vary based on the company size, resources and ability to execute. Start of process designated by when overall plan is laid-out and financial controls have started to be put in place.																							
© 2009 by David Brown																		CCD (Construction Company Development) is a multi-year plan and service for improving the performance of a contractor				D. Brown Management Business Planning Construction Management Training Presentations	

Each client is unique in their needs and a specialized plan will be tailored around their goals, current status, and execution ability.

This plan is strategic in nature and is designed in conjunction with the owners / management team prior to the start of the project.

Adjustments are made to the roadmap milestones on a quarterly basis during the Executive Meetings.



A 3rd party can substantially accelerate implementation and change by bringing in outside ideas, perspective, and energy.

Call today for more information

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