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Staying Alive – Surviving a Down Economy By Dave Thompson

Since 1970, the population of San Diego has more than doubled and San Diego has developed into a city as diversified in the businesses it supports as in its population. While this has brought challenges to our infrastructure, our environment and one very precious resource – land – it has also brought us opportunity. Having worked in or alongside the construction industry since the early 1980s, I've been fascinated to watch as contractors, seizing the opportunity, have put sparkle into the jewel of the city San Diego has become.

Successful contractors I have met possess unique characteristics: they are very conservative and detail-oriented in their approach to managing cash flow and estimating work, yet willing to take a gamble on projects with little more facts than blueprints, specifications, geological reports and site visits can provide.

How then do successful companies sustain that success through times when the economy and the construction industry are considerably contracted? It comes down to five things:

- Manage your team
- Manage your jobs
- Manage your cash flow
- Manage opportunities
- Manage your reporting

Team

Employees are your number one resource. Now retired, Joe Crisci, former president of Greer Construction Company, had employees who had been with the company for most of their careers because he had an unflinching loyalty to them. According to Joe, "Loyalty was facilitated by hiring team members who could handle multiple areas of responsibility." His project managers could estimate. His superintendents could manage the job and the paperwork. *Attracting and retaining key personnel with multiple skills will help you avoid the production and financial disruption caused by employee turnover.*

Jobs

While I was at Nielsen Construction Company, the president would visit every jobsite on a regular basis. He stayed involved with job progress in the field, as well as in the office. He would assist in closing out every job and was involved in many of the jobsite meetings. Surprises were the exception, not the rule. Good communication ensures that all parties with a need to know are kept apprised of all facets of the job – the good, the bad and the ugly. *Armed with knowledge provided by proper project management, the contractor, the architect/engineer and the owner/developer can overcome so much more than when information is not freely shared.*

Cash Flow

Joe Crisci knew where his cash was. He strived to have 12 months cash flow available at all times. He accomplished this by knowing where each job stood. Billing was done according to the contract negotiated. Cash committed and anticipated was monitored daily, weekly, monthly and annually. Managing cash flow allowed the company to use the jobs to support operations rather than the banks. While the company had a line of credit, it never had to borrow from the bank in order to support operations. The tactics of putting off expenditures and downsizing the team were utilized when necessary. *Steady cash flow will keep the jobs on track while reducing the need for financing.*

Opportunities

"When times are good, I think people concentrate on the easiest path to profit without regard to diversity for stability," says Tom Coan, director of consulting operations at Roel Construction Co., Inc. "One thing we are doing is a better job of marketing our consulting services in combination with our construction resources. We have found this can give us an edge over the competition, provide the owner more peace of mind and add value to the project. Companies that are successful in these down times will look at the diversity of their internal skills and apply them to more aspects of their business development and marketing efforts. Now is the time to broaden the focus of services to offer as well as the client base." The government's plan to stimulate the economy includes billions of dollars for constructing, modernizing and improving energy efficiencies for commercial, federal and educational buildings, as well as for much-needed infrastructure improvements. *Diversification will increase your value to the customer and provide you with opportunities that would not otherwise be available.*

Reporting

Lenders, owners and governmental agencies require stability in the contractors with whom they do business. "Contractors need to be totally transparent with their CPA in order for the CPA to provide accurate, timely and useful financial reporting," says Joe. To make the most of the opportunities that may be coming in the form of "economic stimulus," financial statements and job schedules should be accurate, complete and fairly represent the financial position and results of operations of the company. Just like contractors, CPAs are trained and experienced in different areas of industry. *It's as important for third parties as it is for the contractor to know that the financial reports have been prepared by a CPA who has the industry knowledge, skills, and experience needed to deliver valuable, timely and reliable information.*

Management is the key to "staying alive" when our economic foundation has been shaken. Success is built on the secure footings that good management provides. Are you managing to succeed?

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