

Construction Firm Measures

Measures for Construction Firms



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There are a couple of unique characteristics about the construction industry that requires the development of strategies to measure results. The construction industry has gone through a period of growth followed by a stabilizing period. The industry requires knowledgeable management to bring the company through these trends, prepare for the next cycle, and ensure the bottom line. Another challenge is the strategy to manage the contracting and subcontracting. The strategy should include data to take advantage of opportunities and address threats. Monitoring data through measures and reports should be part of that strategy.

Some of the measures that construction firms should monitor are:

- **Cash Flow**

Know the status on each project and whether it is on budget so that problems can be corrected and money collected as planned. Ensure that billing is on time and know when money is expected so that collection is timely. Also, know the percentage of cost that are committed and how much cost is committed. Rising material and labor cost, as well as material purchased before subcontractors are contracted, encourage a firm to lock in cost quickly during the start up phase of a project. This will ensure that cash outflows matches cash inflows.

- **Liquidity**

Tracking liquidity is important because the cash and near cash assets are needed to take advantage of recently presented opportunities or resolve current concerns. Use current asset and liability accounts to monitor the cash the pipeline is generating or consuming. This will allow plans to be made for excess liquidity or obtaining additional cash.

- **Productivity**

Tracking labor productivity is important because subcontractor productivity can effect schedule and budget actuals and impact profit margin. A comparison of budget to actuals can be done to calculate the cost and time to complete. This will allow issues to be resolved quickly before margin has eroded and improve forecasting.

Dynavistics, Inc. can assist you with identifying the appropriate measures for your company and developing the reporting so you can take advantage of opportunities and address issues timely.

Summary

- **Schedule Variance**

Scheduling work is important because compressing the schedule can be challenging due to the many subcontractor schedules, delivery schedules, change orders, etc. Comparing the planned schedule to the actual schedule enables the calculation of schedule at completion. This will enable the project to be delivered on time or new schedules communicated.

- **Cost Variance**

Monitoring cost is important because normally the selling price is fixed plus and the cost is variable. By the time the project is completed, the cost may be much higher than originally estimated and margins are decreased. The planned cost should be compared to the actual cost so that the cost at completion is up to date. This will enable the project to be delivered on budget or a new budget can be set.



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The measures listed will enable management to see opportunities and concerns before they impact the business. This allows action to be taken to maintain profitability. This is not a time in the construction industry's lifecycle for outdated information. Up to date information is needed in a form easily understood to manage today's trends in construction. Business Intelligence can provide the reports needed in the format preferred to assist management in making more informed and better decisions.

We invite you to talk to our professionals about ways to make your business more profitable, productive, competitive and secure with Dynavistics, Inc.

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