



GROW YOUR CONSTRUCTION COMPANY THROUGH MACROMANAGEMENT



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It is easy to understand how owners of construction companies can get in over their heads when juggling all of the responsibilities and day-to-day operations that running a company entails. It is a constant struggle to strategically allocate their time to all of the areas of the business. As companies grow, the owners need to realize that success requires a team effort. A business is an evolving entity that needs to react to the demands and expectations of its customers – or it will fail. As a result, owners must spend their time growing their companies through macromanaging the operations and day-to-day transactions of their business.

One of the challenges of macromanagement is that it requires owners to give up control and delegate responsibility while maintaining accountability of performance. The first step in making this transition is realizing which roles the owner should take to grow the company. Some owners will find the most benefit in dealing strictly with building customer relationships, while others will spend their time studying the market to identify new products and industry trends. Whichever role is chosen, it should put them in the best position to develop and expand their business.

Once owners identify their role, they will then need to delegate responsibility for each department to their employees and hold them accountable for those areas. This is where the transition to a macromanagement system becomes difficult. One of the biggest mistakes made during the transition is the failure to hold project managers accountable; if projects are poorly managed, owners will often feel obligated to take back the control and start micromanaging that area. This prevents them from performing their role of growing the company. To avoid this pitfall, owners need to incorporate internal controls and performance measurement tools that will allow them to track the company operations without being involved with them firsthand.

Internal controls are processes designed to help the company accomplish a specific goal or objective. They provide the company with a way of directing, monitoring and measuring its resources. Internal controls also play an important role in the prevention and detection of fraud. They protect a business from theft and allow the owner, when operating effectively, to dictate the results of the department operations. Internal controls are critical in allowing owners to macromanage their business. No matter what size a company is or how successful it is, the importance of internal controls should never be overlooked.

Performance measurement tools can include many items that are regularly used by the owner to track the department's performance and hold managers accountable. These tools can include items that are unique to their business or universal to all companies, but they should clearly and accurately present the performance of the company to the owner. Budgets are one such tool, and they provide project managers with clearly documented goals and a set of expectations for which they will be held accountable. They also provide the owner with valuable information that helps to quickly track and measure the performance of the company. Most companies supplement an actual-to-budget variance report with a narrative that describes which areas have large variances and why. It is equally important to include nonfinancial measurements with the financial data to fully understand what is happening. For example, by including the number of employees or the number of sales for each project, the owner can draw more accurate conclusions about how the company performed. Payroll that appears over budget might send up a red flag, but the reason may not be too many employees, it could be the opposite due to increased overtime. Further, sales may be up, but without the number of houses sold, it is hard to know if market share was gained or there were price increases. These types of quantifiable measures must be tracked and monitored in order to draw accurate conclusions.

Another performance measurement includes the use of ratios that provide further information about the relationships of financial data. This allows the owner to track cash-flow levels, profitability and the company's investment in land, equipment and other resources. By calculating the accounts receivable and inventory turnover ratios, owners can quickly monitor their company's investments and cash flow. They may also decide to closely monitor ratios that are included in their loan covenants and/or surety bonds to avoid unpleasant surprises later. Many companies create a report formatted to their own preferences that shows a budget-versus-actual variance report and other performance indicators in a quick and easy-to-read style, often referred to as a vital sign report, report card or business report.

By regularly observing these performance reports, owners will find a much more efficient means for monitoring the volume of business transactions and eliminating many of the time restraints placed on them. Through a system of macromanagement, owners motivate their employees to perform well while allowing themselves to focus their time on growing a successful business. As someone once said, if you ignore your business...it will go away!

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