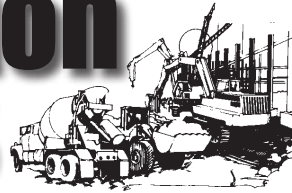


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Business Management

Recession Strategies: How to Weather the Economic Storm

By RICHARD E. GAVIN, CPA, CCIFP

Contractors have known for some time that the construction industry has moved into a downturn cycle. Typically, a construction cycle slowdown on average occurs every seven years. With the downturn cycle started, now is a good time to look at strategies that can help you survive the recession.



Control Spending

Labor: Manage labor hours by watching overtime, implementing caps on time, and encouraging workers to control labor costs. Contact your union and see what union concessions are on the table. Is there a plan in place to reduce costs?

Materials: Use cameras on the yard and make sure people know you're managing productivity levels. Newer digital cameras have unlimited recording time. Limit usage of the fuel facility or the fuel cards. Suppliers see the recession as well and now is the time to negotiate with suppliers for the best prices on materials and supplies; consider asking them for concessions or payment plans to improve cash flow.

Equipment: Take on new equipment only for a specific job

or emergency situation; consider a month-to-month lease; and limit the repairs and maintenance to equipment in use. You may want to sell-off equipment that is not needed in the near future.

Maximize Cash Flow

One of the key areas where you can realize maximum savings is by better managing your company's cash flow.

Here are two areas where you can do that:

Billing: Speed up the time it takes to get invoices to customers. Front-end billing for jobs will help you stay ahead to avoid getting burned. Run credit reports on customers, especially on your long-term customers. Take deposits from any small and incidental jobs. Lastly, call, call, call; keep your accounts receivable collector busy by calling and/or visiting customers that are paying slowly. Consider settling or offering a discount on old receivables, if that is advantageous to your collection process. You should file timely mechanics liens, if necessary, and get in the front of the collection line.

Payables: Call your insurance agent and ask them to re-evaluate your plan; you may also be able to

obtain more competitive quotes. You may have adjusted your level of business and, in turn, your assets may be lower; you might be eligible to obtain lower coverage limits. Review your deductibles and consider how much risk to

subcontractors, check their large suppliers and verify that payments are current even if you have lien releases. Verify bonding with the bonding agent directly. Don't advance funds to your subcontractors or sign bonds for your subcontractors; you need

to have a complete picture of whom you're working with, especially in these tough times.

Consider Merging With Your Biggest Competitor

Now is a good time to acquire your competitor, or vice versa. The reduced volume and narrower profit margins make mergers an attractive option.

Stay up-to-date on latest communications with major government initiatives and use the trade organizations or unions to make sure your voice is heard. Your trade organizations or unions may be the first to know if a project has been canceled.

take by increasing deductibles. Scrutinize your overhead and eliminate expenses, review cell phone contracts, and lower minute plans. Offer incentive bonus to employees to come up with cost savings; you may have to consider suspending the matching funds on 401 (k) plans or make those incentive-based as well.

Manage Subcontractors

Some of your subcontractors will not survive; you must run current credit reports on major

Consider joining forces with other contractors, eliminate overhead and share common equipment. Merging with a strategic partner can produce economies of scale, lower the bid cost process, and improve bonding requirements. If you are a general contractor planning to self perform more work, a merger with the right specialty trade contractor could improve your profit margin. Look around at who has been on the same projects as you have as chances

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are they have the same internal back office procedures. Mergers may reduce some overhead by eliminating some of the duplicate back office expenses. It's a buyers market and some of the best companies can be purchased in a recession. Joint ventures could be another useful option; analyze your situation and see what works for you.

Find out what others are doing. If you were not around during the last downturn, find a mentor who survived a previous downturn and pick their brain for more strategies to survive a recession. Stay up-to-date on latest communications with major government initiatives and use the trade organizations or unions to make sure your voice is heard. Your trade organizations or unions may be the first to know if a project has been canceled.

Now might be the time to lock up the equipment, hunker down and weather the storm. It also may

be the time to start up a new line of business. Keep the two separate; if the start up is temporary, then it will be easier to wind down if everything is separate from the original business.

Downturns are part of the natural business cycle and this one is no exception. Times may get tough, but with the right planning and proper management diligence, your company can emerge from the downturn in a stronger position.

About the author: Richard E. Gavin, CPA, CCIFP is a partner at Grassi & Co., CPAs where he heads up the Construction Practice Group. Grassi & Co., CPAs is headquartered in Lake Success, NY and has additional offices in Manhattan, North Carolina, and worldwide through Moore Stephens International Limited. He can be reached by calling (516) 336-2440 or via email at rgavin@grassicpas.com.