

The Ideal Construction Dashboard

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INTRODUCTION

“What gets measured gets done” and “If you don’t inspect, don’t expect”

Whenever construction company leaders hear those phrases, they seem to nod thoughtfully and jot them down.

In construction, success is the sum of all of the individual jobs you earned and performed during the year, and the sobering reality is that one bad job can erase a whole lot of good work! So, the question we will try to answer in this White Paper is: *What should I inspect, measure, and track in order to recognize and understand performance trends and motivate my team to get jobs done?*

We will explore how to best track and measure individual and collective job performance, overall company profit performance, departmental/divisional performance, capital structure and performance, and even cultural performance.

The concept of a construction dashboard is simply distilling the various data and trends that a company tracks in a concise fashion so leadership can stay abreast of the pulse of the organization.

BE DATA STRONG

Data often tells a different, even more accurate, story than a contractor’s “gut feel” and perceptions. Being strong in tracking data can not only make you better strategically but also can better guide the activities that help assure day-to-day success. The longer problems go undetected or unresolved, the more difficult they become, and the more costly solutions will be. Imagine the potential impact of sitting on an owner change until the end of the job and then trying to argue that you should be given additional days to finish and additional general conditions for that time. Or maybe you sense a subcontractor is failing, but you let him continue to slide until other trades are affected and overtime is necessary across the board for the job to recover. These types of issues can be expensive to your pocketbook and reputation!

If you’ve been in the business long enough, you have probably had experiences like these. Wouldn’t you like to have a data flow that gives you early warning signs so problems could be addressed promptly? Even better, wouldn’t it be great to know your people and subcontractors are being measured and held accountable; that everyone is doing their jobs to a measurable standard? Of course, you would! The good news is that you CAN!

USING BENCHMARKS

One of the challenges of measurement and inspection is having a baseline or benchmark of performance to measure against. If you have no benchmark, it is difficult to tell whether a given measure of performance is good or bad. I remember my first time on a skeet shooting course, taking ten shots at each of ten targets. I hit about 25 out of 100. How did I do? Well, it depends. If I was competing in a tournament, it would have been embarrassingly bad. If I were experienced, it was merely an awful day. For the first time out, I’m not sure where I would stand. I didn’t have a benchmark against which to measure.

Think of a weld in the field. If you were inspecting that weld, you would have to have a background in welding to understand whether it met the look test. Is it complete? Is it smooth such that if it is in a visible area it would look good when finished and not present any danger due to sharp edges? If it has a structural aspect, do you understand the unseen properties and do you have the right technology to measure its strength, depth, etc.? In short, there are many variables for inspecting or measuring a weld; even something as simple as that can be very complicated!

The same goes for construction operations and finance. There are several sources of benchmarks you will want to use, and just as you might set the standards of the welds in a particular process, you get to set the standards by which you measure your company's performance. You can set standards based upon your historical performance (your averages) or industry averages. You can even raise your game and by setting more challenging standards based on measures of excellence or industry upper percentiles.

There are many sources, compiled both inside and outside the industry, in construction for this information. Within our CEO Performance Roundtable Program, members have access to benchmarking of more than 400 data points with established norms. We also use data provided by the Construction Financial Management Association (CFMA) and Risk Management Association (RMA) for broad Profit and Loss and Balance Sheet comparisons.

For a few internal performance measures, there are few industry standards because each company approaches its strategy differently. For example, a bid win ratio of 30% might be considered normal if you typically are bidding against four other firms and investing the time necessary to find your unique advantage in each bid. In that case, you might be winning your fair share. Some companies, on the other hand, experience success by bidding more often while winning less often. They offset the additional cost of all the bidding activity by gaining a higher margin on what they do manage to win. Either bid strategy can be successful, but certainly they are quite different. As long as each estimating team fully understands its strategy and is measuring against set standards based on its unique approach to the market, it has a guideline or benchmark. Precise tracking will allow the firm to tweak its approach or adjust behaviors based upon results and market changes thereby sustaining success over time. Those that simply chase work without a clear strategy and measurements for success and failure suffer by comparison.

Ultimately, your market position within the industry and your unique company strategy will dictate the benchmarks you will use for performance. This is not a one size fits all exercise! With the right benchmarks, however, your comparison against standards will allow you to measure performance, make tweaks to your strategy, and motivate your people to ensure lasting success. Without measurement, you can't effectively evaluate, manage, and motivate performance and behaviors. And it is difficult to give meaningful challenges to your employees and maintain high morale in the absence of known standards.

MEASURING PROFIT PERFORMANCE

Profit performance is traditionally measured as a percentage of sales. Construction industry profitability varies by size of company and by trade. Smaller companies usually have higher percentages of profit, but lower dollar volume. For larger companies, the reverse is true. Benchmarks are best when they account specifically for the trade and company size so you are comparing apples to apples. While benchmarking is never perfect and is always in need of scrutiny and refinement, having a strong, comparable data set is a must.

Construction is a cyclical industry that rises and falls, to a certain extent, based on the overall economy. Since the construction industry builds for all sectors of the economy, the macroeconomic impact on your company will vary depending upon the sector(s) you are involved in and the geography(s) in which you operate. Due to the laws of supply and demand, when less work is available, your ability to aggressively price falls; therefore, profits go down. When more work is available, you have more price flexibility, and profit rises. Average profitability across general construction sectors can range from 1% in down cycles to 5-6% in boom cycles with a historical average of 3-4%. So, while netting 2% on revenue might have been

good in 2011, it is substandard today in most domestic markets. The dashboard must be refreshed frequently so its impact is current enough to take the actions needed to keep the company running on all cylinders.

As you benchmark profitability, keep in mind that you need to normalize your own accounting to get a more apples to apples comparison to the market. If you are a C-Corp for example, you may distribute earnings via owner bonuses and seek to minimize reportable profit. On the other hand, some LLCs or partnerships may not pay a salary at all to owners; they instead take draws or distributions against earnings. In either case, set your benchmarks with these type of considerations in mind, and normalize your results to most closely match profit benchmarks.

Profit can also be measured as Return on Assets (ROA) or as Return on Equity (ROE). Both are important in their own rights. ROA helps measure the efficiency of your business; the ratio indicates the effectiveness with which you utilize any and all of your assets – cash, receivables, billings (under and over), office, shop, vehicles, equipment, and even insurance. A high ROA is generally better than low, though if it is too high it could indicate that your performance may not be sustainable as you may be stressing the capabilities of your company beyond its capacity. Again, take care in setting a valid benchmark. For example, highway/heavy contractors are hard asset heavy, so their ROA becomes a much more strategic indicator than it may be for a Construction Manager. How well an asset rich contractor buys, leases, maintains, and sells its equipment may be one of its most significant determinants of success. Companies that lease vs. own various assets will likely reflect higher ROAs than one which owns vs. lease. Often, this is just a matter of structure as some companies choose to put these assets into a separate company – especially if the two have common ownership. If you consolidate your financials, the consolidated ROA will reflect more consistently against market benchmarks.

ROE measures the return shareholders earn on their investment taking into account the amount of capital at work to produce the return. Over the long term, this may be the most important indicator of construction success and bears scrutiny at least annually. Historically, construction has produced about a 25% return on equity. Again, higher is generally better than lower. ROE must also be viewed in concert with the Return on Sales (ROS). A high ROS with a low ROE could indicate excess equity in the business. Excess capital, usually in the form of cash or cash equivalents, generally earns very little (particularly in today's low interest rate environment) and certainly earns much, much less than the 25% ROE standard. Therefore, a surplus of cash should be distributed to shareholders for them to make other diversified investments. Companies with excess capital can also tend to become lazy in their management of billings and receivables. On the other side of the equation, undercapitalized companies may inhibit growth or keep their organizations at risk. In more extreme cases, they spend too much time just having to juggle cash, receivables, and payables versus bringing in and managing construction work. Bonding and banking standards and expectations sometimes dictate the minimum amount of capital you retain (usually for good reason). Finally, benchmarks for the amount of capital which should be kept in your business vary by trade and type of construction.

In the book *Good to Great* by Jim Collins, he speaks of the "Hedgehog Concept" as a commonality of the best companies. The idea revolves around the intersection of three simple ideas by which all strategy and decisions are evaluated. One of the three ideas is the single financial equation that best defines success for the industry in which they compete. For construction, that single financial equation is Gross Profit (construction revenue less direct and indirect construction costs)

minus Overhead (sales, general, and administrative expense) or GP-O. These are, then, two crucial aspects for your company to track.

Overhead is probably the most simple of the two to control. It is also quite predictable. Since two-thirds of overhead is usually in people costs, you can anticipate what it will be for a period via your head count, hiring plans, wage increases, and benefit renewals. Other expenses also tend to run pretty consistently from year to year, so you can easily use trending to see where they will likely end up. Tracking overhead is as simple, then, as setting a monthly budget and measuring whether you are tracking under, over, or on budget.

Tracking Gross Profit is a bit more nuanced. First, there is frequently seasonality in a construction business. For example, in northern environments, more gets done in the summer than winter. In another case, contractors involved in education tend to run white hot in the summer due to the need for projects to conclude before classes begin. In still another example, companies in industrial work frequently are busiest in the last quarter as budgets get spent and shutdowns occur. Therefore, interim results need to be compared to realistic goals keeping seasonality in mind.

The most challenging aspect of measuring and tracking gross profit performance is that the final result of a job is generally uncertain until it is finished, all change orders and claims are reconciled, and the flow of general conditions has ceased. Even then, there are potential warranty costs (but those are usually tracked separately). During the job, your gross profit is projected; therefore, your ability to project job profit accurately is a core capability of a successful construction company and a core skill of a successful project team. Your Work in Process (WIP) schedule is the compilation of all of the individual job projections. Attention to the resulting gross profit should be your laser focus of attention as it points to trends, issues, and problems that might exist in the portfolio of WIP. One of the basic truths of construction is that your gross profit, as a percentage, should not have great variance from month to month. Where there is variance, you should understand completely where it is coming from. Here are the items to look for:

- If a contractor put less work in place during the month, general conditions and indirect or fixed costs such as safety and equipment will eat up more than their normal share of gross profit. This works in reverse when you are at your highest level production on jobs. This is where seasonality can show up as less revenue at a lower gross margin in slower months
- A more profitable or less profitable job may start, finish, or ramp up significantly from one month to another causing a blip upward or downward based on the mix of jobs in play
- There may be a significant write up or write down on a job. A write up or write down later in the job creates a greater impact than one early in the job because in that case the change has yet to be fully earned
- The more jobs you have, the less variance you should see as each blip is offset by more jobs in a normal band. With fewer jobs in process, you could be subject to more variance

Short of these four variations, your gross profit as a percentage should be very consistent. Wide variations and lack of predictability point to poor job cost control, poor projections, or both.

Mark Twain said, "There are lies, damn lies, and statistics." One of the obstacles of good job cost tracking and control are the adjustments contractors make or non-operational reasons that show up in the WIP. The first thing to watch for is pushing

profits into the following year to defer taxes or to provide a buffer for bad things that might occur in the future. This happens much more frequently in small firms and C-Corps. Problems arise when contractors fail to track the numbers based on real results or fail to adjust their thinking to account for extra profit in analyzing interim, or even year end, results. In effect, the practice of pushing profits into the future can hide bad performance by putting a “blanket of past profit” over a bleeding performance.

Another enemy of accurate cost projections is institutionalized gain. Institutionalized gain occurs when there are contingencies, overhead allocations, or buyout gains executed, but not recognized, during the early parts of the job. Then, when fades occur during the job, they are covered up by the built-in gains carried forward. The effect can be to hide profit leaks and performance issues that exist in operational areas until they show up in much bigger ways. This treatment of job costing could be thought of as conservative and may even be considered a proper accounting practice. However, real time tracking by management of how these carry forward gains are being used is essential. Otherwise, management can miss negative performance nuance issues, and every job, or almost every job, will show gains!

Contractors should be aware of the reverse as well. This occurs when the job is bid tightly, with no buyout or the write-up from buyout immediately recognized, with unlikely productivity or schedule gains and no contingencies built in. In this case, almost anything that occurs on the job will show up as fade. Taken with the situation in the prior paragraph, a contractor can create two very different results where a fade in the second scenario could actually represent better performance than the gain recognized in first scenario! The primary point here is that contractors should fully understand the environment in which they are operating and measure performance in ways that point out real time gains and fades that occur on jobs versus shrouding inferior performance.

Financial statements in construction always bear an element of fiction because job projections are based on estimates. However, no one knows exactly when a job will end and if all parties to bringing it in on budget will perform as expected; there are simply too many variables to be perfectly accurate. This inherent level of fiction should not be a reason to be lax in job management. Quite the opposite, it is the existence of the many variables which require you to pay diligent attention to job performance so problems can be quickly recognized and resolved while the cost of doing so is the least. An industry cliché says the cost of a construction problem doubles for every month it goes unresolved! While this might be difficult to precisely quantify, it seems to ring true with company leaders. Early problem recognition is a key success factor in construction, and great data analysis is the key to early resolution.

TIMELINESS IS A MUST

The only information that can help you manage is timely information. From a management standpoint, the purpose of your financial information is to inform and even spur decisions about your business. You can't change history, and, if you are too far from the event, it is difficult to put together the pieces to learn lessons from them. The more tardy the information, the less valuable it is. And of course, accounting is the process of recording history. In construction, time passing before identifying and solving a problem dramatically increases the size and ultimate cost of the issue.

Your financial information ought to be available on a real time basis. Today's financial software and job management programs allow for real time access and utilization of job data. Naturally, there is a bit of delay as many invoices are still

mailed, and there may be delays in the input and approval processes. Yet, many contractors are surprised to learn that their competitors are producing accurate and complete financial packages within five days of the close of the month!

Aside from the basic financial statements, other data and trends such as schedule and cost impacts can be measured and tracked on a daily basis. There is no valid excuse for delayed financial reporting and project updates! It is a matter of discipline, control of the accounting calendar, and setting the expectations for each aspect of the system. Long held habits and beliefs may need to be challenged, and some modernizing of systems may be required; it is incumbent on progressive leaders to drive these necessary changes in their organizations if they expect to be competitive in the modern construction world.

THE IMPORTANCE OF TRENDS

A single number or data point often lacks meaning in the absence of other metrics. For example, a contractor grew volume by about 75% in 2017 on top of 60% growth the prior year. In addition, margins in the market were improving at the same time. The company performed handsomely in 2017 turning about 4% profit on \$140 million of work. A good year, right? Let's celebrate! But, taken in a more nuanced, more rigidly analyzed context, they had excessive project write downs as a result of inconsistent project management and a lack of senior management oversight to handle the higher volume of work. How would this come to light? TREND ANALYSIS.

Entering 2016, the company typically had write ups on about 80% of their jobs; in fact, they had a 4 to 1 ratio of write ups to write downs and a positive gain of about \$10 million from write ups in 2016 alone. By 2017, the percentage of write ups had fallen to about 60%, and by the end of 2017 to about 40% - meaning 60% write downs. In 2017, despite netting \$5.3 million, they had total write downs of \$1.5 million. That meant there was a \$2.5 million change for the negative. Thanks to the analysis and measurement of long term trends, the builder recognized, by mid-2017, that there was a significant problem. The problem is still in the process of being corrected, but the contractor's gain/fade ratio is trending back toward its historical norm, and profitability for 2018 will significantly exceed 2017 – on lower revenue to boot!

This story is only unique in that this company was tracking its gain to fades religiously. However, it was not taking the next step of tracking **trends** in the gain to fade ratio. It was just data on a page, and, even though the page was gradually turning red, the truth was lost in the overall financial success of the company. The lesson is that trends aid in problem recognition and in motivating managers to resolve problems sooner rather than later. The cost of a problem job goes up significantly over time if the core issue is not addressed and resolved. This is also true of overall company problems. Good contractors and financial managers don't just look at numbers, they follow trends to identify problems early and resolve them before they become costly!

WHAT TO PUT ON YOUR CONTRACTOR DASHBOARD

You want your dashboard to, at a glance, tell you how you are performing and trending on every aspect of your business. In most cases, this should not require extra work. The raw data for your dashboard already exists at your company, but it may not be organized, tabulated, or disseminated in an organized manner for management's use. For purposes of this White Paper, we are providing an all-inclusive list (see below) from which you can choose. If a specific element of the dashboard doesn't apply to your company, simply don't use it. If you don't understand the purpose, use, or how to configure any element of the dashboard, the professionals at The Family Business Institute will be happy to work privately with you

to get that accomplished. Finally, there are many, many potential dashboard items from which to select. Try to keep your dashboard to 7-10 items maximum. Too much information may prove less beneficial than you might expect and will make the tool more cumbersome to utilize.

The dashboard items are organized into five distinct areas:

1. **Profit Performance**
2. **Operational Performance**
3. **Pre-construction, Estimating, and Business Development Performance**
4. **Culture and Organizational Metrics**
5. **Capital and Cash Management**

There is value in thinking about all of the elements in a group together as the sum of the parts may be more important to understand than any one particular element. Many times the combination of several data points creates a fuller, more complete picture. The following is an example.

In a recent company strategy session, a general contracting company found that its hit ratio on work pursued had fallen dramatically from prior years. Revenues and overall gross profit dollars were rising, but its gross margin *percentages* were falling, particularly on larger jobs. This was mostly because of the work mix which included more large-size, competitively acquired jobs. It was also competing for much more work than in the past with almost three times the amount of budgeting/estimating flowing through pre-construction. The good news is that the company had strong data from which to analyze the situation. The team attacking the problem was able to draw the right conclusions and makes the right moves to choose a corrective strategy going forward.

USING THE DASHBOARD

Once you have your dashboard designed with the information you want to track and the best benchmarks for comparison, you want to make sure the right people are following this info and the group has robust discussion about the meaning behind the numbers. This may be as simple as a distribution list for each group of data you track. For example, the entire “get work team” might be getting all of the business development and estimating data. Operational leaders need to be privy to the project data and trends. And owners and the overall company management team may need the whole package so they can understand and participate in all of the opportunities and challenges.

Management should also set up meetings to scour the data such that trends can be recognized and understood and data can be refined to become more meaningful.

Finally, the data should be utilized to enforce and support a culture of accountability where people know performance is being watched, analyzed, and measured. Thus, they will tend to work in a more disciplined manner where they spot problems, shortfalls, or disturbing trends in real time where solutions can swiftly come to bear. In this ideal culture, as executives find issues via the data, they also are likely to find employees at lower levels of the organization one step ahead in solving problems. Management can then transition to more of a support and coaching role versus watchdog, critic, and problem solver. And, armed with great trending data, leaders can focus on big picture, strategic moves that will keep their companies successful in the future.

THE CONTRACTOR'S DASHBOARD: "What gets measured gets done!"

1. Profit Performance	
Gross Profit (GP) Booked vs. Goal, Current Year, and Following Year	<ul style="list-style-type: none"> ➤ Total Goal to be achieved by YE should be: <ul style="list-style-type: none"> • Enough to meet current year profit goal, maximize employee bonus and profit sharing, and provide owner with 10% ROA and 50% ROE • Enough to cover % of overhead for the following year (could vary from 100% to 50% depending upon project size and typical lead time for your work as established by history) ➤ Goals by quarter based upon historical progress toward your final numbers ➤ What the BEST do: <ul style="list-style-type: none"> • 63% of final GP target in place at beginning of the year <ul style="list-style-type: none"> ◆ Gross profit target = 2.2 x overhead • Overhead is 130% covered entering the year • Gross profit is 9.1% on revenue (slightly higher for smaller companies, lower for larger companies)
Overhead (OH) vs. Goal YTD	<ul style="list-style-type: none"> ➤ Goal specific per company, usually as per their OH budget ➤ Median for most successful construction companies = 4.1% of revenue inclusive of 1.3% officer salaries. Smaller companies are higher as a %, larger companies lower as a % ➤ Low is not always better as too few resources can stifle growth and cause loss of potential gross profit in pre-con and operations. Right sized and efficiently deployed are the dual goals. Your correct percentage may vary dependent upon average job size, # of departments and locations, and overall company size
Annual ROA for the month/YTD vs. Target	<ul style="list-style-type: none"> ➤ Median performance for top peer group performers = 14.2%
Annual ROE for the month/YTD vs. Target	<ul style="list-style-type: none"> ➤ Median performance for top peer group performers = 51.2%
Return on Sales Revenue (ROS) for the month/YTD vs. Target	<ul style="list-style-type: none"> ➤ Median performance for top peer group performers = 4.6%
Projected % of Employee Bonus Pool Earned (optional)	<ul style="list-style-type: none"> ➤ Goal varies by company and applies only where goals are performance based

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2. Operational Performance Indicators	
Gain to Fade Ratio – Recent rolling 12 months and most recent month	<ul style="list-style-type: none"> ➤ Gains to fade vs. estimate; suggested goal = 8 to 1 ➤ Gains to fade vs. buyout; suggested goal = 3 to 1
Billings Latest Month	<ul style="list-style-type: none"> ➤ Over-billings vs. goal; top peer group performers average 3.6 % of revenue ➤ Under-billings vs. goal; top peer group performers average 0.7% of revenue ➤ Net over-billing vs goal; top peer group performers average 2.9% of revenue ➤ Number of jobs under-billing w/justification (list and address each monthly) <ul style="list-style-type: none"> • No goal needed, situational ➤ Over-billing to under-billing ratio vs. goal <ul style="list-style-type: none"> • Set goal based upon experience – suggest 5:1 if unsure and no mitigating factors (such as time and materials billed in arrears)
Schedule	<ul style="list-style-type: none"> ➤ % of jobs finished on time (per contract with executed change orders) last 12 months rolling <ul style="list-style-type: none"> • Set goal based upon experience, desires for future ➤ Active jobs - days lost/weeks gained (per contract with executed change orders) <ul style="list-style-type: none"> • In order to track, need monthly PM projection per job ➤ List jobs trending to finish late with justification and recovery plan
Change Orders Outstanding	<ul style="list-style-type: none"> ➤ Total amount of unapproved customer change orders pending at the end of each month <ul style="list-style-type: none"> • Set goal based upon experience. Should be a small % of overall billings and company gross profit ➤ Total amount of claims at risk on completed jobs <ul style="list-style-type: none"> • Customer • Subcontractor
Contingency Carried as of Month End	<ul style="list-style-type: none"> ➤ Total amount of write ups, buyout, shared savings, etc. not yet recognized that would convert to profit should jobs finish as expected. <ul style="list-style-type: none"> • Should be measured against the company norm. "Normal" varies from company to company depending upon their policy or tendencies in how job profit and gains/fades are recognized. Some companies are more conservative or aggressive than others
Gross Profit Per Team Member vs. Target	<ul style="list-style-type: none"> ➤ Team Leader <ul style="list-style-type: none"> • Sum of Project Manager (PM) or Superintendent goals under team leader's supervision ➤ Project Manager <ul style="list-style-type: none"> • Median of top peer group performers is \$840,000 <ul style="list-style-type: none"> ◆ Will vary by market (for example, a NYC job generates more than a rural job due to higher dollar values) ◆ More is not necessarily better for the company as overtaxed PMs may underperform their project opportunities ➤ Superintendent <ul style="list-style-type: none"> • Median of top peer group performers is \$360,000 <ul style="list-style-type: none"> ◆ Will vary by market (a NYC job generates more than a rural job due to higher dollar values) ◆ More is not necessarily better for the company, as overtaxed Superintendents may underperform their project opportunities

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3. Pre-construction, Estimating, and Business Development Performance	
Backlog	<ul style="list-style-type: none"> ➤ Backlog goal depends upon growth objectives and normal lead times ➤ Top peer group performers have a median of 63% of the coming year's revenue in place at any given time
Pre-con Revenue vs. Pre-con Cost vs. Goal	<ul style="list-style-type: none"> ➤ Applies only to companies who get paid for pre-construction ➤ Appropriate goals will vary by company and market
New "lifetime customer" prospects booked	<ul style="list-style-type: none"> ➤ Lifetime customer definition: "Customer that will provide company with negotiated or advantaged prices over multiple jobs/years and produce \$5-\$10 million in gross profit over a 10 year period." Amounts could vary depending by market and sector ➤ For sustainable growth, it is desirable to add one to two lifetime customers annually
% of booked work negotiated, best value, qualified/select bid, open bid	<ul style="list-style-type: none"> ➤ Win % for each category ➤ Win % vs. bid for hard bid by both number of bids and dollar value average buyout margin for each category ➤ Revenue and GP performance YTD each category ➤ Goals will vary by category
# of new subs with winning numbers YTD vs. goal	<ul style="list-style-type: none"> ➤ Goals may vary

4. Culture and Organizational Metrics	
Headcount vs. Target	<ul style="list-style-type: none"> ➤ Overall ➤ PMs ➤ Superintendents
Turnover Rate	<ul style="list-style-type: none"> ➤ Intentional departures ➤ Non-intentional departures ➤ # of new hires ➤ Net turnover rate (% departures rolling 12 months vs. current headcount) ➤ % of new employees entering in last three years
Community Involvement	<ul style="list-style-type: none"> ➤ \$ committed to charity and community organizations ➤ Employee volunteer days accomplished
Employee Morale/Engagement	<ul style="list-style-type: none"> ➤ Survey(s) or commercial engagement assessment(s)

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5. Capital and Cash Management (all versus target)	
12 month Rolling Days A/R Inclusive of Retention	➤ Top peer group performers average 55.6 days outstanding
12 Month Rolling Days A/R Without Retention	➤ TBD based upon your typical contract relationships
Ratio of A/R to A/P	➤ Top peer group performers average 1.2 ratio
Equity	<ul style="list-style-type: none"> ➤ Top peer group performers keep 8% of annual revenue in equity <ul style="list-style-type: none"> • More equity is not always better as excess capital can reduce ROA and ROE and result in lax management due to lack of need to manage tightly • Too little equity can create risk, restrict growth, and cause cash issues which subsequently can result in operational issues
Working Capital	<ul style="list-style-type: none"> ➤ Top peer group performers average 6.5% of revenue in working capital <ul style="list-style-type: none"> • More working capital is not always better as excess capital can reduce ROA and ROE and result in lax management due to lack of need to manage tightly • Too little working capital can create risk, restrict growth, and create cash issues which subsequently can result in operational issues
Days Past Beginning of Month Financial Package is Distributed	<ul style="list-style-type: none"> ➤ Top peer group performers have their monthly financials within 15 days of the end of the month <ul style="list-style-type: none"> • Some have financials as early as three days following month end
Other Income Earned	<ul style="list-style-type: none"> ➤ Goals vary depending upon amount of free capital at work and aggressiveness of strategy <ul style="list-style-type: none"> • Interest • Investments • Payment discounts • Other
Cash	<ul style="list-style-type: none"> ➤ Goal for each category may vary <ul style="list-style-type: none"> • Cash/checking on hand today • Cash/checking predicted in 30 days • Total cash, cash equivalents, and investments

CONCLUSION

The idea behind creating The Ideal Construction Dashboard is to provide leaders with a concise snapshot of their key performance indicators in real time so they can make better informed decisions. If you have questions about building your dashboard based on the type of work you do, size of your company, or other variables, please contact us, and we will be pleased to offer suggestions.

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