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Barry & Brian

Mike Merrill:
Well, welcome Barry and Brian. Super excited to have you guys on the podcast today and great to be here in person.

Brian Cronnelly:
Yeah, great to be here as well.

Barry Weber:
Yeah, great

Mike Merrill:
So I guess to start the conversation out, I am curious, how do you think contractors should be better approaching their, uh, their businesses as it relates to reporting and data and getting better information out of their systems?

Brian Cronnelly:
Yeah, so we, kind of have a mantra we stole from a partner who retired at Eide Bailly, it's timely, accurate financial statements. There's three pillars right there with a web schedule every month. I think that's the biggest thing is getting on that cadence and seeing those things regularly is the biggest part of it.

Mike Merrill:
Awesome. So do you think that there are other companies that are missing the mark in that area?

Barry Weber:
Yeah, I think so. I think, you know, a lot of companies start off as, you know, the guys that were in the trade, decide to start their own business, try to grow it, And they get to a certain point where they can't run everything anymore. They have to have a team around them and they have to have good information to be able to make those good decisions. And I think so many guys in the industry, they just never experienced that before, right? And so we can, with, with the help of good software, good systems, we can help bring that information to them.

And I have yet to meet a contractor where I give them better information and they don't make better decisions. And that's, you know, I think really what we try and push.

Mike Merrill:
Nice. So, with, no real big changes in gap compliance coming up on the horizon, what do you think contractors need to be doing to prepare for some of the other tax updates around energy and other initiatives that are maybe legislation? That are coming through.

Barry Weber:
Yeah, I think the big one to your point is energy. The energy guidelines changed pretty significantly last year. Uh, what used to be kind of a afterthought, which was, we could go get some energy credits on certain buildings, certain solar, uh, you know, kind of that, that background stuff, we might be able to get a few, you know, maybe 30, 000.

Those kinds of credits change where now you can get a hundred, 200, 000. It really used to be kind of an afterthought. Now it's becoming the driver of a lot of this work. And so, uh, they extended it to where, you know, nonprofits can get it. More and more organizations can claim this credit now. And now we're seeing clients that actually are using this as a sales tool.

And so they're going out to the private industry and saying, Hey, that million dollar project we're going to do for you. Why don't we raise it to a million five? The more efficient system. And you're going to get a half a million dollar tax credit. So the net cost to you is nothing. And we're going to install a much more efficient system.

So you're going to end up netting ahead on this thing. In the meantime, these construction companies, HVAC, electrical are increasing their sales exponentially, right? Because the cost of that system from them to install is significantly less than that half a million that they're going to charge extra, right?

And so the, it's really becoming a driver of this energy efficiency. You know, uh, systems and which I think is kind of was the goal, the infrastructure money, the energy money, but it's the impact is, is I think we've yet to see the real impact.

Brian Cronnelly:

Because Congress hasn't, they didn't cap anything, right? It's just you apply for it, you get it, like there's no like certain number each year.

It's just you, go for it. And it's anyone like Barry said with a HVAC, uh, mechanical, the electrical, even GCs and they're kind of anyone who's involved in the design process of these. New systems and things like that. They can be eligible, especially if you're working on government and non profit work Governments and non profits they don't pay taxes.

So they give it to you So if you're working on those, that's how you can really get a head up on these and like barry's saying if it's a private client You work with them so that the private client gets the but then you can kind of work with them get a bigger contract and those kind of things

Mike Merrill:

Yeah, and when you guys are talking a couple things come to mind so we We service and do a lot of work within the electrical, like you mentioned, and then also the roofing contractors and they are putting in solar systems.

Now, look, you're going to need a new roof in five years anyway. I don't know how long this legislation, these credits are going to be in place. So if we get you a solar system, save you on the electrical side, you're going to get a new roof as a part of that deal. And again, offset some of those costs and then electrical.

Contractors, they're installing solar panel fields up on a mountainside in the desert of Nevada, where they're in a completely different industry that they really never had anything to do with before.

Barry Weber:

Yeah, and it, what's really happening is, you know, before, as we looked at these energy efficient systems, the calculation was always, how long is it going to take before this pays for itself?

And now the equation has changed where it pays for itself almost immediately with these credits. And then it's just a benefit over the long term. And so it's not, the key now is getting that information out there, right? Getting more private companies, getting more development companies to understand that and start, you know, asking those questions.

Hey, if I upgrade this, if I change my design, my plan, because so many of these construction projects in progress now started three years ago, right? Or at least the design started then. So I think we have yet to see the real impact of this. I think we're going to start seeing it over the next year or two as the project develops.

These designs are coming out, they're planning all of the next phase of construction. That's where the adjustments are going to start to be. And we've already seen that in a few clients that projects have started or the design has already started and they stop midway and they say, let's change this because it's going to be in the better answer.

Mike Merrill:

Yeah. And you were alluding to ROI is a big driver of everything that in life, that's our decisions. Now we, our decision tree usually is okay. What's the effort or the cost? And then what's the benefit on the other side? Whether it's working out or something financially, you're, you know, you're trying to make that decision.

What's the trade off here? So, in this case, when we talk about, and I know in our pre discussion and we were talking about the value of the foundation provides a dashboarding and reporting and accuracy of that data, but what are some of the pitfalls that contractors fall into in? interpreting that data that they're getting in dashboards and reports or maybe not even leveraging it appropriately.

Brian Cronnelly:

Yeah. I think part of it is like, like I said earlier, it's the timeliness of it. If we're looking at December, it's, you know, it's April right now. It's, it's, it's old news. Uh, the other thing is information overload. A lot of times we see it, especially owners, they want, they, they're invested in this thing, right?

They want to know everything about their business. And so they'll explode the financials and bring in so much information that they look at it and it's impossible to, uh, to translate what it even means. And so taking that, that information and putting it to a more usable form, you know, whether it's a dashboard that just, alright, here's the month, here's what it'll look like, that kind of thing.

Uh, that's key, because it, otherwise you just give someone a spreadsheet that's, you know, they're really good at building buildings, you know, putting roofs on buildings, you know, electrical work, that kind of stuff. You give them a spreadsheet with 18 columns wide, it becomes impossible to analyze.

Mike Merrill:

So that's a great point. So also, you know, one of the one of the important reports or areas that people need to be looking at their business very regularly is the balance sheet. So what can companies do to really have somebody take ownership of their business? How that looks and how they're actually managing to make sure that those numbers come in like they should.

Barry Weber:

Yeah. And we say that balance sheet is your financial health at a point in time, right? So it's like looking at my, my bank, my bank account, I can have a million dollars in there, but that doesn't necessarily give me context of did I lose money last year? Did I make money this year? So it's step one really is understanding where am I today?

And then we look at the, you know, and say, how did I get there? But I think so many contractors, small businesses in general. They start their business running on their bank account. And when you do that, you risk making bad decisions because I might have a million dollars in my bank account, but if I build that guy a million dollars in advance of the work, that's not my money.

And so understanding that, seeing the balance sheet as a whole and saying, What do I need to focus on here? Where's my working capital? Because your working capital is going to be whatever your current resources are minus what you owe right now. And so if I built a million dollars in advance, my working capital effect of that is zero because I got a million but I owe him a million dollars worth of work.

So net zero. So really understanding that, understanding my equity balance, what's my company worth? My equipment, what's my equipment worth? What's it on my balance sheet for? We see that a lot as an issue where we will over depreciate our equipment. I'll have an excavator worth 300, 000 and it's on my books for 10, 000 because I have overappreciated it.

So getting a better understanding, trying to make sure the balance sheet is a true reflection of my financial health when I look at it and using that as the measure, because the reality is that's the measure Banks and companies and users of the financial information look at because that is your financial health.

You could have made 10 million last year, but if your financial health at that moment is not strong, they are not going to work with you.

Mike Merrill:

Yeah. Where are we at? Well, is it balanced or not? And we're, you know, hopefully it's heavy on the profit side, right? So speaking of that, so Brian, what about the profit and loss statement?

What can companies do to better manage what's going on there?

Brian Cronnelly:

Yeah. So we kind of. We look at the profit and loss and look at the managing by exception. So there's a couple of things you can kind of look at. You can look at your know your industry, uh, doing benchmarkers, you know, comparing insurance. It was the, my industry's gross profit.

How do I compare to that? You know, what is my industry net income? How do I compare that? And getting into that subset, you know, construction for a GC is completely different than for your HVAC guy. You know, those gross profit margins are different. And so kind of looking at that as a benchmarker and then also working on budget versus actual.

So, you know, obviously construction costs equal revenue, right? When you spend money, you're going to make money, right? But there's certain aspects that you've got to control. You control your indirect costs and your G and A and getting a budget versus actual put together for those, those even just to Even if it's a scratch budget just to start with is a great point to be, and then you can look at it each month.

Again, going back to the time limits, you look at each month, why did we spend so much on gas this month on our indirects? Uh, why did we do this? You know, why does this happen? Manage those exceptions, see what's going on on a monthly basis, and catch those things sooner rather than when you're doing your year end financials.

Mike Merrill:

Yeah, obviously this subject's near and dear to my heart because our company's always focused on what is the actual all the time, every day, as you're going, real time. And if companies have a handle on that, They are in a completely different league than somebody who doesn't. And so what, when it comes to, and we were joking also before, when we were talking about pencil whipping, I've got some budget here.

I'll say, Hey, I got some budget. Bring those hours over here. Right. So how commonly do you guys see that the industry and what can companies do to combat it?.

Barry Weber:

And then we do see it, we see it a lot. Right. And part of that's, you know, it's the game that, you Project managers, they play it. And sometimes it's not, it's not necessarily malicious, right?

They're not trying to manipulate information. They're just trying to make the best decision for them and their team. And so, for us, you know, there's a couple big system related stuff you can do. And, you know, channeling the intervening counters in us, the inter, accountants in us, it processes, right? How do we set up good processes?

Because again, a lot of these startups, small businesses, a few people and they grow into, now they're 50 people. Did we set up the correct processes along the way? Who's approving what? How is it getting approved? I mean, things nowadays with technology, things like geofencing, you know, where guys can't clock into the job until they get to the job.

We had a client implement that and the change it had was massive because guys were clocking in when they get in the car to go get coffee on the way to the job site, right? And so, Now they can't clock in until they get there. So we saw this huge shift in hours and they go, Oh, and over time. And so, they realize that service guys going out to all these houses were going off, getting lunch, getting coffee, doing whatever without, and then charging the next client for an extra half hour and the last client for an extra half hour. So they get out on break. And, you know, so as they start fixing these processes, refining these processes, you start seeing a significant bump in productivity and understanding from the owners to go, Oh, the average service project is not taking us three hours.

It's taking us two and a half. And when you multiply that over the course of a year, that's a massive difference in how they're pricing, how they're understanding what their guys are doing, how long they're taking all these different things. And so they're going to make just so much better.

Decisions as a result of that. Again, it all comes back to decision making. As much as the bean counters in us want to feel warm and fuzzy about good numbers, it's really about how does that impact the decisions of the community. Make better decisions and make more money as a result.

Mike Merrill:
So, Brian, once we've made more money and we have more stack cashing up there, or you know, more cash stacking up on this side of the balance sheet, What can companies do to better manage that cash flow and use that resource appropriately to grow it even more rapidly?

Brian Cronnelly:
Start to look at the different KPIs and different drivers. What does this mean? So one of the ones that we look at is return on equity. So what is, you know, what was our net profit? You know, divided by our equity. Alright, what is that balance? Are we keeping enough cash in the business or should we take some out?

So we're looking at that return on equity balance there. It's, it's really a reflection of if you take all of your resources that you have and put that in the stock market, what would that return get in the stock market? And so if you're getting, you know, 20 as an owner, you're taking risk. You better be beating the stock market if you're keeping it in there.

And if you're not, then you may need to take the cash out, put it somewhere else or increase, increase your revenues, increase net income as well. So that's a, that's a big key is when you're When you're looking at cash management, if you are starting, if you're one of the good contractors that's starting to compile cash, seeing what that return is, and if you have too much cash in the business, it might be time to take it out.

Do some development, those kind of things, but that's a good starting point when you're looking, when you start to, if your cash is going up.

Barry Weber:
And on the flip side, from a cash management standpoint, in today's world, interest rates, right, having a good cash management process, we can feel warm and fuzzy about, But if so much of our cash is tied up in those projects, slow to collect all these things, I might be paying half a million dollars in interest as a result of that, as a result of that slow cash collection.

So, that's where the cash flow statement, right? Analyzing that every month too and saying, Am I collecting at the rate I should be? And analyzing cashflow, both at the company wide, but also the job level, right? Because I can look at a job and think, all right, this job's doing really well, but I might be several million dollars behind on my cashflow code.

Okay. All my vendors, all my guys, and maybe they're slow to pay me and that's several million dollars. I am paying interest on them. All right. That adds up real fast too. So we've seen a lot of times the profitability is of jobs is drained, not because of any problem with the job, other than cash flow issues.

The collection rate is very, very slow. And that's something that they need to understand and monitor because what they thought was a 20 percent job is actually a 15 percent job after the amount of cash we had to spend and interest we had to pay on it.

Mike Merrill:
Yeah. The cost of the cash, right?

Barry Weber:
Yeah. Makes a big difference.

Mike Merrill:
Interesting. So Brian, you mentioned something I've never heard, none of the podcasts or even conversationally, I've never heard anyone say, compare yourself in your business performance to the stock market. That's very interesting because. We always, at least, you know, my friends, people around me, they would say, or we would say, I can go broke going fishing.

I don't need to be doing all this. I don't need to build your house or this building. If I'm just gonna, if I'm just trading time for money and there's no money left when I've traded all my time in, I might as well go fishing, right? So, what you're saying is, if your business isn't growing and, and giving you profitability better than what you can get the stock market, right.

Then your cash will be better there, and why are you even in business, right? Is that kind of what you're saying?

Brian Cronnelly:
Yep, and it's again, just kind of a measure of getting to where, and we talked about earlier, benchmarking against your competitors. Every industry is a little different, right? Your return on it's gonna be different, but, you know, you should be aiming to beat that because, you know, if you're not growing, you're dying, right?

And so, that's a good measure of where your resources are going and what, how it's coming back to you as an owner.

Mike Merrill:
That's good. So what about, your WIP schedule analysis, work in progress, reporting, what can companies do to improve there?

Barry Weber:
Yeah, and this kind of ties back to both the balance sheet and profit and loss in terms of getting accurate information, right?

Because the WIP schedule is what normalizes your construction financial statements. Constructionfinancial statements are effectively useless until I have a WIP schedule. Because of the shifts over under billings. I can bill a million dollars in advance, or I can bill a million dollars at the end. And so if I don't adjust for that, I see these massive fluctuations month over month, year over year in my profitability from the jobs.

But that's not real because I need a WIP schedule to measure how much progress I'm actually making on those jobs. Because to Brian's point, when I spend money on jobs, I'm earning money. And so just because I bill doesn't necessarily mean I'm making money. I'm making money. And so, the WIP schedule normalizes that, right?

Adjusts for those shifts in billings. And I get so many clients that say, Well, we bill, we bill according to ISOV. It's, it's, it matches, right? Billings represents revenue. And then you go to a WIP schedule and you realize they're a billion dollars overbilled, right? Which is great! We love, we love billing in advance, but the problem is it gives you a false sense.

You are billing for money that isn't yours yet. You got to finish the work. So the web schedule becomes the end all be all of the financial analysis because not only does it normalize the financials and make them useful to analyze, but it becomes a project management tool because I can look at web schedule of 30 jobs and tell you which three jobs have problems, right?

Not just by looking at, Well, yeah, that job is projected to lose money. Of course, that's a problem for a child. But am I under billed consistently month over month? Why am I under billed? Well, the project manager doesn't think he can bill because the customer's upset. Okay. The customer's upset. Why is the customer upset?

Well, we're delayed. We're delayed. Okay. Well, they're going to charge us back charges or, uh, liquidated damages. Okay. Let's start. How do we fix this? How do we manage these exceptions? Before the job stop. Exactly. And the reality is all companies. that grow consistently, they hit a point where the owner can't keep track of everything anymore, right?

If there's 30 jobs and I'm a 20 million company, the owner can't keep tabs on every single job. He has to trust in the project managers, but the WIP schedule allows him to see, okay, what do I need to be focused on? Where are my exceptions? If the job is, uh, you know, cruising along, it's making the margin, we're billing on time.

It's with a PM that always does well. Maybe he doesn't need to spend a lot of time on it, but if there are jobs that are flagged as part of that WIP schedule. And usually, you know, we'll help analyze and say, Hey, go talk to the PM about these three jobs because they don't look right to me. We watch them month over month over month.

And for the last six months, they don't look right. He goes and digs in and talks to them and realizes, This is where I need to spend my time because there's risk here. There's exceptions here that I need to help manage as the owner. And so that's where the Web Schedule can really help be a project management tool.

Particularly from an owner management perspective.

Mike Merrill:
Okay. So Brian, we've talked a lot about a lot of different KPIs here. What are, what are kind of the bullet point main areas that Eide Bailly likes to focus on and that you think companies need to be really paying attention to specifically?

Brian Cronnelly:
Yeah. So talk about return equity a little bit.

That's just a good, just throw it out there. Kind of see, you know, good measure of where you're at. Big one, in fact, I'll look to is working capital. You don't have the funds to, You know, going through your projects, you know, there's, you gotta go find some other financing sources and that kind of thing. And so, I think one of the ones we have on our list to kind of look at is, uh, backlogged working capital.

How much do I have in current work to go do compared to my working capital? And if it's, you know, if you have the funding to go out and do it, Then you probably need to go talk to a banker right away. You'd rather get ahead of those conversations. Yeah especially as we're talking about cash flow by job if we're looking at that in conjunction with your backlog Is your backlog in your working capital as well? So those are some decent ones there to look at.

Barry Weber:
Yeah, a lot of times we try and leverage Uh cfma construction financial management association and then rma risk management association and those are two industry data They publish it nationally. It has regional data, but it also has Uh, by NAICS code.

So the specific area of the industry you're in, right? Because a Dirk guy is going to have a very different margins than a GC. And so leveraging those at the kind of global financial level to say, I made a million dollars last year and I'm happy, but should I have made 2 million if I did what the industry says I should have done?

I should have. So I get, we get a lot of contractors that kind of fall into that. Oh, I feel good. Last year we did well. And then we go look. They should have done better, right? So there are improvements we need to make. And so we look at things, gross profit on jobs, you know, you are averaging 20%, but the industry says you should hit 25 in this area, right?

And so what can we do to change that? And it works the other way too, though, because we get clients that will achieve something, feel good, say we're going to replicate it. And then I go look and I go, I don't know that you can replicate that, because the industry says you can't. The industry, eventually we all fall back to the average.

There's a reason it's the average. So, are there, are there companies that can consistently beat the average? Sure, because they're abnormally efficient. They're very, very well run. But there comes, becomes a point where we can't, right? We, I have companies that'll hit 35 40 percent margin in a year and feel so good that they turn the corner and they're gonna keep doing that.

And I go, I don't know. I don't know that you can, because I see enough other guys in your industry that can't achieve that. And I think you just happen to get a couple of really, really good jobs. And that's great. And I love that, but we got to talk about what we can replicate because I don't want to plan to replicate something that I don't think we can, so let's adjust.

So that even if we don't hit that 35 40 percent market, we can still make money.

Mike Merrill:
Yeah, every hit is not going to be a home run. No matter who you are,right?

Barry Weber:
Yeah, absolutely. And you look at, you look at the gross profit by job, you look at overhead as a percentage of revenue. That's a big KPI that we look at.

Because I want to, the reality is most small businesses should float in the 10 15 percent range. We get clients that will climb that overhead up to 20 percent of their volume. That's when it becomes a question, can I achieve profitability at that point, because the cost of running the administrative side becomes so steep that I don't know if I can make enough money to make up for that.

Mike Merrill:

Yeah, because there's, industry, you know, there's pricing that people are used to paying and they're not going to keep paying over the course of time. Yeah. They're going to find that out. And you're not going to be able to charge as much. And then you're not going to cover that overhead, right?

Barry Weber:

Exactly. And again, it kind of changes between what side of the industry you're in because the general contractor can't afford 10 percent of rides because they live in the six, seven, 8 percent margin range. So if they're making six, seven, 8 percent margin and have 10 percent overhead, they're losing a lot of money.

And so they have to adjust what their overhead structure looks like. Whereas you might have a mechanical elevator contractor, they have, they got to have significant administrative side because of, A lot of times you want to service, uh, tickets, those kind of things. They need that team in order to process the sheer number of transactions.

When you have 2, 000, 3, 000 jobs during the year, you have to have a more significant administrative side than a GC that might have 20. And so they need a higher margin to make up for what is going to be a higher overhead. But looking at that ratio and saying, I average 20 percent margin. That means for every dollar of overhead I add, I need 5 of volume to make up for it, to break even.

So if I talk about I want to go to a new location and spend another 100, 000 a year in rent at a bigger place, okay, but you need another half a million dollars of volume to make up for that. Can you do that? Oh, maybe. Okay. Then maybe this isn't a good decision, right? And so benchmarking that against the industry and saying, am I where I should be and should I be making different decisions based on that becomes really, that's really what we push, you know, across the board is we got to leverage, we got to use this good, accurate financial statements and say, how do I use this to make good decisions?

Well, I can start by looking at what's everyone else doing. And the reality is most of the people that report to these organizations aren't the bottom quartile, right? They're not the ones that are struggling and losing money about to what business. Right. So that average, they're probably the result. So this the best, yeah.

That average we look at is really the average of successful, the upper right. And so, uh, if I'm right in the middle there, I'm successsful, right? I'm where I should be. And so that's a lot of times how we'll leverage those KPIs.

Mike Merrill:

Good. And not that you were using it in this way, but you mentioned the word leverage. So Brian, where does leverage fall into this conversation?

Brian Cronnelly:

Yeah, so like a lot of the questions, especially around interest right now is, uh, Yeah. Financing, should I finance it? How much debt should I take on? And that kind of thing. Expensive right now. Yeah, and so we go, what's the R, what's the RLA? Like, do I go out and this, I need this 500, 000 dollar piece of equipment.

I've got this much in cash, how much do I put down on it? And so using some of these different leverage, Ratios, you know, debt to equity, those kind of things. It kind of helps, again, using it to the industry. You know, understanding what your industry is doing. If the industry is, you know, X debt to equity ratio, you don't want to go above that.

You know, as much as you want, as much as you want this new piece of equipment. And again, figuring out those, you know, using that as kind of a starting point to see. But at the end of it, you got to kind of look at the, how long is this going to take to pay back, you know, or pay for itself, those kinds of things, whatever it is, especially in interest rates at 8, 9, 10 percent for some people.

Mike Merrill:

Yeah. And contractors, they, you know, and that's my background. I grew up in construction, was a GC. We like to own things. I want, I want to rent. I need possession. Yeah. And so there's a tendency and a propensity. To do that because that's what we've always done it. Well, market conditions, the cost of money, interest rates, maybe it doesn't lend to owning everything.

You might need to rent for this project on certain pieces of equipment or better utilize the equipment you already have, right? Sell this off and buy more of these because they're actually being utilized and actually making you money versus sitting over here and not working.

Barry Weber:

And that's, uh, you know, a lot of times where we.

Get involved with our clients. I mean, we try to be pretty involved as a whole, but when we look at something like foundation software They put the cost in. I can go in there and start looking through and I, you know, Construction, the nice part of why we like working in construction is they're pretty blunt guys, right?

Pretty no nonsense You know guys, so I'm pretty comfortable going up to owners and going What the heck are you doing with those three pieces of equipment? Because you didn't use them nearly as much as you should have last year. So, are you selling them or are you going to use them more? Because it better be one or the other.

Because sitting on it and paying the interest, the depreciation, the repairs and all that for a piece of equipment that you're not using very much is a problem. And so you've got to make a better decision. That's where leveraging, you know, not necessarily KPIs and things, but system information, right? If we're tracking usage on these things and we're tracking how much they're costing.

Brian Cronnelly:

Us.

Barry Weber:

I can run a profit and loss by a piece of equipment and go, did that equipment cost you money last year? Did it make you money? And if it costs you money, something needs to change.

Brian Cronnelly:

So that's like where the financial KPIs are. We're talking like high level and it's kind of like quick hair things. They lead to these conversations where, all right, is our debt to equity at a point where we could go get a new piece of equipment?

Yeah, maybe. Okay, now is it worth it to go get a piece of equipment? Just because you have the ability, you know, doesn't mean you should. Going and getting into that deeper level of the financial information that's available. And again, you know, this is where targeting the KPIs at the high level to the CEOs, the presidents, that kind of thing.

They don't need to be the one to go diving in, but they need to be the one to ask the questions. Do we need to do this? Does that make sense?

Mike Merrill:

Yeah, and I think really, and this is, I think a lot of contractors struggle with this, but we talk about leverage, we talk about debt, financing, these other things, utilization, efficiencies.

But what about liquidity? I mean, if, if the world ended tomorrow, or, you know, or things really, really went south, right? My backlog's dried up. I, I, I'm struggling here. I'm sucking wind. What, what's mine? What do I really have here? Right? So how does liquidity play into this? And, and what impact does that have on people's psyche?

And the way they run their business and just their general approach to things day today.

Barry Weber:

Yeah, I mean ultimately liquidity is the end goal, right? It's can I make this company successful enough that it has excess liquidity that then I get to go have fun, right? We take care of the company first because the company takes care of us, but then we get to go have fun when we get to that point of liquidity.

And it is difficult in the construction world because Uh, equipment costs money, right? It costs a lot of money and we talk about yellow paint disease, right? And so You know guys I walk out on those things that four water trucks in there Why do you have four water trucks in your yard go put them to use?

Well, I don't have anything Okay, we got a problem here. We need to be more like that So there's a lot from a company management standpoint that we can liquidity side Is my cash flow where it should be? Is my working capital where it should be? That kind of thing but You Ultimately, we got to get to the point where we are liquid enough to, we talk about building our balance sheet, we build our balance sheet, our financial health to the point where we were liquid enough, we can sustain bad times because you go back and you look at 2008, 9, 10, 11, it was tread water time, it was even the successful companies, can I tread water?

Can I just, Make a little bit of money, keep my guys and hope for better times. And, but I got to have a balance sheet that can do that because if I have little cash and I'm so invested in equipment or whatever it is, I'm going to struggle in those times because I'm going to need bank's help. If I need cash.

Versus if I build a balance sheet that is really strong, not excess, I don't need to put more money at risk than is necessary, but I build a balance sheet where if a few things go wrong, if a few years happen where I don't make any money, I'm fine. And we've seen those clients that get to that point and then have those tough times and they're fine.

They sit there three years later and they go, I lost half a million bucks the last three years and it's not a big deal. It's, it's unfortunate. We don't want that, but they built their liquidity and their balance sheet enough to where it's A little bit of losses, a little bit of struggling, not a big deal.

And then they can go take advantage of the good times. But you gotta, you gotta build that first. You gotta build that level of liquidity, build that level of balance sheet strength to be able to sustain those tough times. Beyond that is where you have, go have fun.

Mike Merrill:

Yeah, yeah, the, I was meeting with a financial planner just on personal finance recently and he showed me a graph and it was, it was actually very powerful.

Analogy to look at but he said if you panicked and sold your stock because the market was just tanking and bad Get to that point where again, they don't have enough liquidity to feel confident And so then they panic and they get nervous and they make emotional decisions versus, you know intelligent decisions and and he said if you pulled it out at the wrong time He sold on the worst five days of the market these these worst five days You It was big losses.

Whereas if you stayed in on, uh, on those worst five days, you got to participate back in the upside and you made a 17 percent margin last year versus completely losing money. So, The swings are huge, but you've got to be in it to win it, right? You've got to still be in the game. So when the market swings back, that's when people really, if you were able to survive, now you can really win big when the market gets into a better play, it's really having, control over your destiny because you have confidence in your balance sheet, right?

Love it. So is there anything else, that we missed on KPIs or things that. Do you really think companies need to focus on to either maintain or improve their success or figure out how to turn the corner from maybe the way they've been?

Brian Cronnelly:

And I think it just kind of goes back to, again, getting those processes in place to have this information at your fingertips.

Cause I think the beginning of it, all this stuff is great. Building your balance sheet is great. Well, if you don't see your balance sheet ever, and you know, so we talked about these big, high level things, but the real base, getting back to basics on it is going to be where you're This is where we got to start.

Just start with the basic stuff, get the information to you, and start to build that, we talked a lot about, you know, I see you had your WorkMax thing in there, I'm sure when you're talking WorkMax, it's, we're going to make the field so much more efficient, we're going to make this stuff so much more efficient.

Nobody ever talks about making the back office efficient, right? That's the, that's always the second thought of construction companies. We'll be doing it the same way for forever. Continue to grow that back office, smart, we always talk about budget versus actual, but building that back office. Getting those processes in place just makes these decision points, these KPIs, these different things like that more readily available by investing in them.

Mike Merrill:

Love that. What about you? Anything to add on there?

Barry Weber:

No, I think Brian hit it again. Timely, accurate finance data. And, and we, we push that and we talk about it, but you got to look at it, right? So every month. Set up some time and look at it, go through it and bounce some ideas. A lot of times we participate in those meetings.

We say every month we're going to meet. Doesn't need to be long, half hour. But we're going the financials because I'm going to see something different. He's going to see something different. The owner's going to see something different. Maybe the senior project manager, your COO, whoever it is, we're all going to see different things.

So let's talk about it. What are we seeing? Where are we going? What are the trends we're seeing? Is there anywhere we want to get a little more dialed in? Where do we want to focus? Where are we making good money? Where are we struggling? You gotta spend the time, you can't just have it available, spend five minutes, right?

Your financial information, that's, that really should drive your decision making. I mean, that's the goal, right? I mean, make money, so.

Mike Merrill:

Awesome. Well, I appreciate, the good work that you gentlemen do. We're appreciative of Eide Bailly and, sending you out here to be a part of this conference. We're excited to, have your session, be a part of the tracks here.

And hopefully you guys have some takeaways that you can help serve our industry and our customers better as well. So thanks again for joining us.

Barry Weber:

Absolutely, our pleasure.