The BIG Book of Construction Accounting Leadership

How Construction Firms Can Build an Accounting Center of Excellence to Guide Big Decisions During Tough Times

Introduction

For most construction companies, the accounting department is seen simply as a box the company has to check. These folks balance the books and make sure the bills get paid, but they're rarely leveraged to their full potential.

You see, the accounting department is in a unique position. CFOs and top staff, with the right mindset, are able to see further down the financial road than other team members. They know where the company is and where it's heading, keeping a keen eye out for unnecessary risk. They also have the ability and knowledge to quickly identify regulatory issues and assess potential projects' financial viability.

In short, the accounting department could be full of real leaders who can help bring a company forward.

But they can only usher in that growth if they're empowered by the board and other decision-makers. Until now, that's been a tough goal to reach. But in this e-book, we'll mention some key actions that accounting personnel can take to earn the right to be part of the tough decisions, as they're often the folks best suited for the job.

To help us explain these concepts, we tapped some of the top accounting experts in the country to ask for their advice. Whether you're a CEO, a board member, a CFO, or a new accountant, these tips will help you push your company to its fullest potential.

We've divided this guide into three sections—you are reading the full guide, so you'll have all three sections here.

To find the smaller, individual guides, check out Trimble® Turbo-Charged Accounting resource center.

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Turn Accounting Into a Leadership Vehicle

at Your Construction Firm

How to Speak the Language of Leadership and Earn a Seat at the Table

Trimble.

Speak (and Understand) the **Language of Leadership**

Let's be realistic: a typical accountant and construction project manager speak completely different languages and focus on different aspects of the project. But in this section, we'll go over what accounting executives and leaders can do to get a better grasp of how the cake is made so they can speak (and understand) the language of construction leadership.

We're all about moving the accounting team from the back office to the boardroom. We can explain why it's important and discuss the benefits until the end of time. But none of that matters if the boardroom and its long-entrenched occupants don't accept the CFO or accounting team, trusting them to help make decisions and steer the company to brighter horizons.

It's a tall order. Accountants and project managers don't always see things through the same lens. They have similar goals but far different approaches for reaching them. One is totally averse to risk while the other accepts it as the cost of doing business.

So, how does the CFO or chief accountant break down that barrier so they can stand shoulder-to-shoulder with the project management team? That's what we asked the team at FORVIS, and their answer was clear: By speaking and understanding the language of project leadership.

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Four Approaches

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The team at FORVIS suggested four approaches to earning the respect and acceptance of the project management team. They felt that adopting a forward-looking outlook, developing an ability to communicate effectively using construction language, getting out of the office and into the field, and finding the right allies were key.

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01 Look Forward

Generally speaking, accounting teams work with data provided from events that have already occurred. This makes the department, as a whole, reactive and backward-looking. While data is incredibly important in the boardroom, knowing how to use that data to predict where the company is heading is a skill that only the best CFOs possess.

Mike Trammell of FORVIS recalled a conversation he had with a construction executive on exactly this topic: "I once asked a construction owner who I had a lot of respect for. I said, 'Tell me the difference between a construction CFO and a construction controller,' and he gave me a real distinct answer. He said, 'A controller is going to tell me what I should see in the rear-view mirror. A good CFO is going to tell me what my headlights are going to see when we get there.'"

Construction accounting teams that use the data provided to identify trends, establish long-term goals, and help the company find the right path to the destination in mind will earn the respect and admiration of the project team. Their ability to assess risk and develop strategies based on data and insight is something most other departments can't offer.

And it's these skills that separate the average accounting head from a take-charge CFO that makes decisions with the rest of the PM Team.

02 Speak the Language

While there are exceptions to every rule (and in fact, we're encouraging one), most accountants and project managers don't communicate in the same way. Their brains work differently, they use different words and phrases, and they see situations in different lights. And since we're adapting the accounting team to work more seamlessly with project management, it's the accounting staff's responsibility to adapt.

Contractors and builders have a job to do. They're not overly interested in debits or credits or how the accounting team works or handles its challenges. Truth be told, they want the accounting team to think for themselves and provide solutions that make sense in the construction world.

Jamie Tancos, Senior Managing Consultant, FORVIS told us,

> **"One, first and foremost, you have to speak their language. They're not going to come to you. They don't want to learn how to talk debits and credits.**

She knows first-hand, as she walked into the construction industry as a young woman and had to find her footing in an industry that doesn't like change.

Her suggestion? Adapting what the accounting team does for construction rather than attempting to change the industry. She says contractors "want you in their world and understanding the operations and how you're applying the operations to the financial side."

Jamie Tancos,
Senior Managing Consultant, FORVIS

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Get Out of the Office (and Onto a Job Site)

Accounting teams and CFOs who want to be taken seriously within a construction company need to see the work firsthand. This means getting out from behind their desk, putting on a hard hat and a pair of boots, and visiting a job site. There, they can observe what actually goes into creating a construction project, and what those numbers on paper translate to in the real world.

Jamie had suggestions for us here, too. She believes you need to "see the cake from beginning to end." She adds,

> **"I got in trucks. I went to job sites. I looked at all of that stuff. I sat in a plant tower.**

The first-hand insight taught her a lot about the industry and how it works. She says "It puts more meaning behind the numbers, and if you have more meaning behind the numbers and the understanding, you're able to look out over the front of the car easier."

Not only does this help from an experience perspective, but it can also help the project management team recognize that you're trying to learn more about their side of the industry.
At that point, the accounting team might notice more bridges being built for them into other areas of the construction firm's operations.

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04 Find Help

Everyone needs a hand now and then. Accounting team members should attempt to find their help in the form of an innovator or freethinker on the project management side. If this person believes in the mission, they can help pave the way for the accounting department and foster buy-in.

Jamie says, "There's safety in numbers. So, get somebody that can be on your side and push with you, and if that's someone from the operations side, it's going to carry a little bit more clout." Developing these alliances will help the accounting team achieve more in less time, help the board recognize the value of the relationship, and create a more holistic approach to problem-solving for the company.

But it takes patience. Jamie warns about going too fast, too soon. She says,

"Finding that balance and finding those allies that can cross the bridge together from both sides of the house is crucial, but the other thing is you're going to get the best buy-in when you're not trying to shove everything down somebody's throat at once."

Rather than swinging for the fences right away, build relationships with your allies and let them do the pitching for the accounting team. If they believe in the mission and the team's capabilities, they'll bring the accounting team forward on their own.

Blaze Your Way to the Boardroom

With the right approaches, CFOs and accounting teams can make a real impact on their construction firms. By knowing how to use the latest data to make smarter decisions with future payoffs, communicating effectively in a way that the rest of the firm understands, and seeing how the cake is made firsthand, these team members will make themselves more valuable and versatile. When the project management team faces a new challenge or has a new goal in mind, they can rely on these team members to help them make better decisions.

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Construction financial pros who want a true strategic role need to look forward, not back. A controller will tell me what to see in the rearview mirror. **A good financial leader will tell me what my headlights will see when I get there.**

Mike Trammell,
CPA & CCIFT, FORVIS

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How the Construction Accounting Function Can **Earn a Seat at the Table**

Before a CFO or lead accountant can make big changes at their respective company, they have to earn a seat at the table. This means bringing enough value and forethought to the job that the executives know these folks are better in the boardroom than they are in the back office. In this section, you'll learn from top accounting experts about how you can knock down that boardroom door and take your seat with the rest of the decision-makers.

Accounting is more than just tracking numbers and compiling reports. In the construction industry, the folks that run accounting departments can help make smarter decisions in less time, to make as much money as possible or avoid projects that don't make sense.

But, this can only happen if accounting earns a seat at the big table.

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What Accounting Brings to the Table

With all of the materials and manpower it takes to run a project, money is the number one resource companies need to continue. Despite this fact, many companies don't bring their CFO or controller into their most important decision-making sessions. These folks are just expected to work in the background, keep the books balanced, and count the beans.

But, they have so much more potential. The following are some of the biggest benefits of bringing the accounting department into the decision-making process.

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Smarter Risk Management

Risk mitigation is an important aspect of construction planning. Worker safety, materials availability, and weather are often necessary risks. But financial risks aren't always necessary, and the accounting department might be able to help a firm avoid them. These folks perform financial analyses regularly, allowing them to spot financial risks at a much higher viewpoint than the rest of the company.

Cash Flow Management

Cash is king in construction, and no one has a better grasp on cash flow than the construction accounting department. Controllers and construction accountants understand projections, the implications decisions have on cash flow, and strategies to increase it. These professionals can even offer insight when developing a contract to ensure that cash flow remains steady throughout the project.

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Compliance

When it comes to compliance, CFOs, controllers, and accounting staff are often stuck cleaning up rather than consulting.

Operations, project management, and design might have an idea or plan, but if they consult the construction accounting department before any decisions are made, costly mistakes and violations can be avoided.

Get Out of Debits and Credits and Help Develop Long-Term Strategies

While the primary function of accounting for construction is to manage debits and credits, Mike says the construction executive table needs more from a CFO. According to Mike, to earn their spot, it requires a person or team "that thinks about how to get outside of the accounting, finance, or treasury functions and start thinking about where the company is going from a long-term strategy standpoint."

Many times, it's actually the accounting department that is in a unique position to propose initiatives. These individuals work in a field that stretches beyond the confines of strictly construction, meaning they're exposed to new technologies, practices, regulations, and even opportunities that folks rooted in project management and operations aren't.

Identifying and proposing these new ideas are good ways to "springboard" their way to the table, as Mike puts it. It also helps these construction firms stand apart from their competitors, which might not be willing to have the conversations required to grow and expand.

Find That Special Person or Team

Part of clawing the way out of the cubicle and into the executive meetings requires the right person. Even with an armful of strategies and a future full of bright possibilities, folks who work in the financial world are conditioned to avoid risk. Finding team members with the insight required and openness to change is the secret sauce.

For CFOs, controllers, and accounting managers, this means taking the time to find those people on their teams.

As FORVIS' Kathryn Schneider puts it,

> **"Connect with your team, find what motivates them, find that person who wants to build a better mousetrap. Lean on them and trust them to do that.**

This might involve creating a platform for engagement, a retreat, a round table, or another collaborative setting to find the people to move the accounting department from the back office to center stage.

Kathryn Schneider,
FORVIS

Speak the Contractor Language

The rest of the executive board must take the accounting representative seriously. Otherwise, it doesn't matter if they're present, their opinions and insights might not land.

One way to get more familiar with contractors and how they think and speak is to get out of the office. Grab a hard hat and some boots and head to the job site.

Jamie says, "Get out of the box at your office, get off your computer, and sit in a plant tower. Watch a concrete paver. Watch the dump truck dump it out." Experiencing how the cake is made gives accounting staff insight they might be missing and the ability to shift somewhere between speaking like an accountant and speaking like a contractor.

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Be Innovative, But Take Your Time

There's a difference between earning a seat at the table and barging in and taking one. It's important to be innovative, but it's also important to do it in pieces.

Jamie believes that taking it slow and partnering with the right people is key. "Find your champions—someone in operations will carry more clout. Finding the balance and allies who can cross the bridge together is crucial. You're going to get the best buy-in when you're not shoving it down someone's throat," she told us.

Increasing your role and the executive team's awareness of your capabilities is a process. Yes, new solutions are incredible, but it's important to implement these solutions as chapters.

Rather than changing the role of the accounting division all at once, let each chapter build on the one before it. Start by automating simple processes like schedules. Then, move to digital timekeeping. Build steam until you're implementing game-changing software. By the end of the story, the CFO's role may look entirely different – earning them that coveted spot at the construction executive table.

Part 02

How to Use Construction Accounting
to Protect Your Company

Accounting Can Mitigate Risk and Help Recession-Proof the Business

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Identifying Risk

One of the greatest skills that the average accountant has is the ability to identify and assess risk. The construction industry is rife with them, and accounting pros who know how to mitigate them while still rolling the dice on profitable projects can steer their companies toward significant growth. Here's what you need to know.

How Construction Accounting Can **Be More Strategic and Mitigate Risk**

Let’s be real. One of the accounting department’s greatest skill sets is its ability to assess risk and avoid it. Construction accounting personnel are generally risk-averse despite working alongside the adventurers who push construction projects forward.

But, too often, construction accounting takes a backseat to the rest of the company. Rather than just balancing books and ensuring that payroll goes out, the accounting department could be more proactive and lean into what it does best: recognize and mitigate risks.

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Construction Accounting Strategy and Risk Mitigation

We wanted to know what accounting departments could do to improve their companies' outlooks, especially in these wild times of high-interest rates and labor shortages. To get our answers, we tapped some of the top experts in leading accounting firms throughout the country. We spoke to experts from FORVIS, RSM US, and Crowe LLP.

These experts graciously answered our questions, provided insights, and gave opinions about the outlook of construction and its accounting function, as well as some advice for taking a more proactive role in today's construction industry. Here's what we found.

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Nick Grandy,
RSM CPA

Increase Cash Reconciliation Frequency

One way that accounting divisions can be more proactive in reducing risk is to increase the frequency of cash reconciliation. Nick Grandy of RSM suggests that companies reconcile cash balances quickly every day. He says that companies should quickly check the balances, compare them against yesterday's amount, and look for any potential discrepancies to avoid fraud and take action.

Grandy told us:

> **"If your checking numbers are out there and somebody's printing checks and you don't have a positive pay solution set up, [daily reconciliation will] help you catch that earlier in the cycle. And if you catch it earlier, hopefully, you can take action to prevent either further issues or to help mitigate that risk.**

Improve Forecasting (and Use It!)

Cash Flow forecasting is critical to making the best decisions with the money you have on hand and the money you expect to get in. It's important to have a true grasp of how it all works to avoid the risks associated with unpaid subcontractors and high-interest credit lines.

Grandy suggests using ERP software to create a rolling forecast that reaches at least 13 weeks out. This will allow companies to analyze when their invoices are typically paid by project owners or general contractors.

If they know their invoices are usually paid 93 days out with a particular project owner, they can better account for the subcontractor invoices that roll in every 30 to 60 days throughout the 13 weeks and potentially avoid lines of credit or contractor liens.

Promote the Right Projects

Choosing the right projects can go a long way to reducing risk, and the accounting department is in a prime position to educate the rest of the board. For example, the projects the government is funding through money earmarked by legislation are largely unaffected by high-interest rates or materials costs. These are reliable projects that are sure to come to fruition.

According to Grandy, "The government's not going to typically cancel a highway project because interest rates are up or material prices are up. The highway still needs to be built, so we're going to go build it."

Brent Kirkpatrick of Crowe LLP says, "That's government money that is earmarked, it's going to be spent, it already is being spent. If you look at the industries that are projected to grow the most in the next four to five years, it's the road builders, the heavy highway, heavy civil type projects."

Kirkpatrick also added that data centers will continue to be a big push, and potential safe projects for CFOs to lobby for: "15 years ago, we didn't view fiber optics in data as maybe infrastructure, but the reality is today, it's infrastructure."

Not every contracting firm has the ability to dive into roadbuilding or data center projects, but taking note of where safe money is being spent is a great way for accounting firms to reduce risk.

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Start Succession Planning

There are few things as risky as uncertainty, and unfortunately, the construction industry is full of it. People will be retiring from the industry in droves over the next few years, and that can cause concern for not only the actual labor force but also the executives and back office team members who make sure to keep the fires burning.

Internally, it's a good idea for the accounting department to start preparing for the future. But it's more than simply choosing the next longest-tenured employee. The brightest minds leaving universities today want to work for cutting-edge companies that employ AI and the latest technology. If the accounting department is stodgy and stuck in the same ways for 40 years, the industry will hardly have a chance at attracting these young people, perpetuating the problem for another generation and creating long-term risks companies can't afford.

Understand State Border-Crossing Taxes

The largest and potentially most lucrative projects currently underway have a serious problem. According to Kirkpatrick, the manpower required to build them simply does not exist. This means that companies from all over the country will be able to backfill local labor forces, sending crews into other states for extended periods of time.

This creates a tax risk that only construction accounting firms are equipped to handle.

"If a contractor who's not based in Ohio, for example, is working on the [Ohio] Intel site and they are bringing workers in from all over the US to make sure they have the right team on staff, those people are going to be in Ohio for a significant amount of time. There's going to be some sort of payroll tax and income tax ramification to those workers that the accounting team would 100% need to be on top of," according to Kirkpatrick.

His suggestion? Investing the $400 to $500 that the CFMA's guide to state and local taxes cost to help the accounting department better understand payroll for these employees.

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Promote Service-Based and Recurring Revenue Projects

Another practical option for reducing risk is to implement serviced-based divisions and recurring revenue or subscription-based services. Whether it's a repair division, seasonal services, restoration emergency services, or even home inspections, these divisions diversify revenue streams, providing cash flow stability and seasonal balance.

This also makes the company more attractive to private equity investors. According to Mike Trammel of FORVIS, "They're getting into construction not because they love construction risk, but because they want recurring revenue."

Trammell also added, "Private equity tends to place a greater value on that because that's recurring billing. You probably don't need to work very hard to win that client and win that work, and there probably isn't a huge amount of risk. So that work tends to be more favorable."

Lean on Technology for Real-Time Data

Looking forward is helpful, but sometimes, the best decisions (and least risky) are made with the data we have right now. Real-time data helps companies understand exactly what's going on in the moment, and it can only be truly real-time with the use of technology.

Jamie Tancos of FORVIS told us that real-time data can help fix mistakes as well as avoid them. She says, "You need to right the ship because this job's going to go south if you don't or you're bidding way too skinny, or whatever the case. " She continued, "We've got this other job here that's exactly like what we're bidding right now, and it was a catastrophe and this is why."

Having that data on hand, whether it's through an ERP or a CRM, creates a "lessons learned library, " as Jamie described it. That's something that can only be achieved with technology that stretches far beyond the capabilities of Excel, helping contractors avoid major risks.

Also, legal risks associated with contract language can also be avoided with technology (to a degree). Brent Kirkpatrick told us that Crowe LLP is rolling out software, Pro Contract Manager for Construction, that uses AI to read and dissect contracts, comparing them to industry and company standards to ensure everything is assessed for risk. While this might be outside the realm of the accounting division, it could be a tool that the division uses to better understand what contracts entail.

Jamie Tancos,
FORVIS

Streamline Your Tech Stack

As new technologies and software come along, construction companies tend to gather them into a tangled mess of implementation. Kathryn Schneider of FORVIS believes this is an area where accounting divisions can help mitigate risk by simplifying the tech stack.

“I think another common theme moving forward is how do I reduce my tech stack? I’m now on a best of suite or best of platform and now take advantage of cloud and APIs to just really minimize that burden and the risk of having a very disconnected technology stack, ” Schneider says. “So, that’s another risk mitigation strategy that I see contractors taking. Let me get out of this best-of-breed world and find a common platform that we can all make everyone happy on.”

Accounting divisions and CFOs should advocate for modern ERPs, CRMs, cloud tech, and APIs that fully integrate with one another. Data can be shared across these platforms without duplication and re-entry, reducing the margin for error and creating better, more complete data sets that companies can actually use the way they were intended.

But, just peeling back the layers of the old software and data systems can be convoluted, too. It involves complicated software subscriptions, license keys, and data reconciliation to make happen—all risks in their own right.

Consider Cash Reserve Investment

Instead of mitigating risks, construction accounting divisions may have a chance to make a calculated one—investing.

Many construction companies are sitting on large cash reserves as they're waiting for delayed projects to start. But the benefit of this high-interest world we're living in is that short-term investment vehicles are turning 5% yields, and construction accounting divisions may want to suggest these investments.

Brent Kirkpatrick tells us, "It's been forever since you could get 5% on a CD, a short-term duration investment vehicle, or making sure you're using some treasury ladders. You can do short duration 3-, 6-, 9-, 11-month treasury ladders to earn 5, 6% on your balance." He continued, "Nothing's a hundred percent risk-free, but fairly high risk-free returns on to help maybe weather some of these short lulls that they may have with projects being pushed."

And no one in a construction division is better-suited to spearhead this move than the accounting division.

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Advocate for SDI

Finally, construction accounting divisions should be advocating for general contractors to carry SDI policies. Subcontractor Default Insurance protects the prime contractor against subcontractors failing to hold up their contractual obligations.

Brent Kirkpatrick tells us why SDI insurance is necessary: “Subcontractors right now are finding it tougher and tougher.” He adds, “They’ve taken on a lot of work, probably more work than they should have in a lot of cases. And so I think a lot of subs are actually struggling right now to get work done and get it done with high quality and to meet schedules.”

Accounting Firms Can Step Up and Take on a New Role

We mentioned that accounting personnel are typically good at recognizing and mitigating risk. With the approaches mentioned in this article, construction accounting divisions can step up into a stronger, more influential role at their companies while also reducing the chances of risks impacting the bottom line. And there's no one better suited for the job.

Find more tools to help you be a change-maker in your company at the [Turbo-Charged Accounting Resource Center](#).

Recession-Proofing Your Business

If you plan on making a real career out of the construction industry, you're going to deal with your fair share of recessions. These economic downturns are cyclical, occurring every 5 to 10 years. But if you build your business wisely and prepare for these challenges, you can recession-proof your business to withstand times when money is more expensive, projects are harder to find, and other companies are closing their doors. Here's how.

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Let’s not dispute whether or not a recession is coming—the ifs and buts about it aren’t worth the time. What we know, however, is that recessions come along once every 5 to 10 years. They’re hardly the Halley’s Comet of economic events, so it makes sense to prepare for a recession regardless of whether one is lurking around the corner in the near future or not.

Recessions happen. They’re part of the economic cycle. Recession-proofing your business just ensures you’re prepared for the next one, regardless of when it happens. This guide will explain some of the best ways to shore up your bottom line in the event of a recession.

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Why You Need to Recession-Proof Your Business

Recession-proofing your construction business isn't doomsday prepping or shuttling your executive board into a bunker. It's a solid business practice that ensures your company is structurally sound any time the broader economy takes a few steps back.

Recessions typically last 12 to 24 months, and typically include a bear market in stocks. In the U.S., only the National Bureau of Economic Research (NBER) can call a recession—and only in hindsight. Prior to the short-lived Covid recession in Q2 of 2020, The Great Recession was our most recent "normal" recession, beginning at the end of 2007 and continuing through mid-2009 (though the impacts on the construction industry have lasted much longer). Many industries were impacted, but construction especially took a brutal blow. The housing market collapsed, demand for new construction projects flattened, and finding financing became a needle-in-a-very-crowded-haystack situation.

A report from the NAHB stated that the number of residential builders alone dropped 50% from 2007 to 2012.

Housing still hasn't fully recovered, despite the ongoing demand and persistent supply shortages that have underlined the current growth in home prices. And while the impact of The Great Recession is something of an outlier—its was wider-reaching than most other recessions, from a historical perspective—it's still a cautionary tale from recent history, and there are still reverberations throughout the industry. Companies need to protect their bottom lines and not forget that the right combination of circumstances can become a tinderbox that can burn unprepared construction companies to the ground. Preparing for these situations is the best way to survive them.

7 Keys to Recession-Proofing Your Business

Many companies think that the only practical response to a recession is cutting costs and praying for the best. But rather than the reactive approach, prepare for a potential recession and minimize its impact on your business with the following tips.

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01 Assess Your Financials

You have to understand how much money is going out each month before you can put a plan together for recession-proofing your business. Sit down with your accountant or team and discuss everything from accounts payable to overhead to incidental costs and other expenses you pay out each month. The goal is to identify where the money is going and how much of it is leaving.

The time to find and plug the holes is when business is good, when it's "extra cash" and not blood money. Being proactive now about any unnecessary spending or expenses ensures that the company can save money and also survive reduced cash flow for longer. Waiting until there isn't enough money to make payroll is simply too late.

02 Build Cash Stores

It might not seem like rocket science, but there's actually a lot of value to unpack from this tip.

Building up your cash stores is one of the best ways to prepare for an economic downturn. Companies with a healthy stockpile will be able to weather situations better than those relying on credit and loans to get through. Cash is almost always a safer bet than the expensive interest rate-bearing loans available in recessions.

But cash isn't just for keeping the lights on and funding projects. Recessions can also present incredible investment opportunities. Whether it's purchasing another company, buying equipment at a reduced rate, or even providing short-term funding to other contractors, cash can make it happen.

The trick about building cash stores, however, is being proactive about cash flow. Contractors need to stay on top of their accounts receivable, minimize frivolous spending, and set a goal to save each month. It's important to have a proactive but realistic plan for saving.

03 Diversify Your Customer Base

Construction companies that put too many eggs in too few customer baskets rarely do well during a recession. Even companies with a finely-tuned recession game plan will lose customers during a downturn. Whether it's because of financing drying up or because companies are simply going out of business, some will fail.

The key to ensuring that losing one customer doesn't crush business is having a portfolio of other customers to work with. Increase your outreach and marketing efforts, and encourage salespeople with additional incentives for landing a certain amount of new clients each month. This allows you to continue serving your current customers while still expanding your reach.

04 Focus on a Backlog, but Don't Bank on It

A company's backlog can be a sign of its health during strong times, but it can be a false sense of security during downturns. Backlogs can quickly dry up, with projects being canceled or put on pause until money is cheaper. For this reason, it's important to focus on your backlog, but don't take it for granted.

Try to keep your sales funnel as full as possible. This is easier said than done, but starting new outreach campaigns, expanding your service area, and offering new services can help attract more clients, keeping the sales funnel and backlog brimming. Don't rest on your laurels, though. Concerted sales efforts are still critical to keeping the backlog full enough.

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05 Add Recurring Revenue Models

Recurring revenue is all the rage now, and it could be a key component to making it through a recession. Construction companies that start repair or service arms with subscription-based fees that keep the money rolling in each month will have an easier time maintaining positive cash flow when things get difficult.

Some business models to consider include:

- **Repair services:** Clients pay monthly for access to a repair team whenever they need them.
- **Emergency services:** Businesses pay each month to have a trusted team on call for emergencies.
- **Property maintenance services:** Monthly subscription payments entitle the property owner to a set amount of days for clean-up.

Companies will receive small payments from these customers each month in exchange for a service. The recurring revenue increases the company's valuation, builds customer relationships, improves cash flow, and allows companies to retain workers they might otherwise consider letting go during tough times. Plus, upselling additional services to existing subscription customers is relatively straightforward and doesn't require a robust sales team.

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06 Rely on Data

Every decision made during a recession is more critical than those made in boon times. Companies need to make better decisions with more certainty because more is on the line, and recovering from a stumble is a lot harder in a recession. The best way to make great decisions is by relying on real, up-to-date data.

Companies that utilize modern project management software can make the most of the available data. These programs provide customers with overviews of project statuses, available resources, budgets, timelines, and more. Most are cloud-based, so when changes are made, the entire system reflects the change across as many line items or contracts as necessary.

These programs can also generate valuable reports instantly. When big decisions are on the table and teams need real-time data, they'll have instant access to the latest information, allowing them to make the best decision possible.

07 Choose the Right Projects

If there's one area where companies can improve their chances of growth and success ahead of a recession, it's project selection. Choosing the right projects with the best clients and the safest funding stabilizes the backlog and allows companies to breathe, even when others are closing their doors.

First, go where the money is. Today, that would mean focusing on projects like data centers, chip manufacturing plants, EV battery and manufacturing plants, and similar projects funded by the CHIPS Act and Inflation Reduction Act. Also, infrastructure projects funded by the Infrastructure Investment and Jobs Act should also be considered safer than private projects. The government has earmarked billions of dollars to fund these programs, making them a better bet in the long run.

Also, be selective about your clients. Reviewing data regarding payment and credit history allows companies to determine how risky a potential partnership could be. If a customer has a history of defaulting, canceling projects, or not paying its contractors, they're worth avoiding in good times, let alone when things are getting difficult.

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Start Your Recession-Proofing Before You Need It

It's not a matter of if a recession happens, but when. These challenging times are cyclical and we're never more than a few years removed or away from one. Construction companies need to make hay while the sun shines rather than taking positive cash flow and lengthy backlogs for granted. The tips mentioned above will help companies narrow their focus to surviving these challenging times so they can grow at a time when others are struggling to survive.
Get started recession-proofing your business today.

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Part 03

How to Boost Your Revenue

by Aligning Accounting and Project Management

Adding a Recurring Revenue Stream

Trimble

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Getting Aligned with the Project Management Team

When a construction company uses its accounting department to its fullest potential, great things start to happen. Stakeholders make better decisions and risks are often identified and minimized sooner, with less effort. This means increased profits, shorter timelines, and a more well-rounded business.

But accounting teams can't accomplish this if they're left out of the picture. Rather than simply following behind the project management team, they need to work alongside them. We'll identify not only the importance of aligning the accounting and project management teams but also some steps companies can take to make it happen.

The Benefits of Accounting and Project Management Synergy

Project management teams and all their members have their strengths, but so do the folks in the accounting department. Bringing these teams together creates a situation where the whole is greater than the sum of its parts.

When accounting takes a leadership role in a construction or contracting firm, risk management efficacy skyrockets. Accounting teams are able to analyze financial data and identify discrepancies, delays, and cash flow issues far sooner than the average project management team can. While the project team is fantastic at mitigating tangible risks, the accounting team excels with risks on spreadsheets and reports.

Accounting folks are always very good at ensuring decisions comply with laws and regulations. These professionals use their extreme attention to detail and regulatory knowledge to avoid costly mistakes, prepare for routine audits, and ensure that any pending changes and updates in governmental policies and regulations won't steer the company off course.

And, when it comes to managing, predicting, and improving cash flow, accounting teams reign supreme. This entire division is devoted to debits and credits, timeframes, and reporting, so they have the best grasp on how long it takes to get paid, how much accounts payable payouts will be, and what to do with the company's cash flow reserves.

But these benefits can only become reality if the project team welcomes accounting to the table, and the accounting division steps up to fulfill the requirements of this new job description. Mike Trammell of FORVIS notes that this is part of the trick, stating companies need "a person or persons or a team, a department that thinks how to get outside of debits and credits, how to get outside of the accounting or finance or even the treasury function and start thinking about where are we going from a long-term goals and strategy standpoint."

6 Tips for Aligning with the Project Management Team

The benefits might be powerful, but the road to fostering the relationship between the accounting and project teams might not be well-marked. That doesn't mean it has to be tough traveling, though. The following tips will help bring the accounting department forward to sync with the project management team.

01 Hold Regular Meetings to Bolster Communication

It doesn't matter what other efforts you employ, when it comes to project management and accounting synchronization, communication is the number one priority. Businesses should schedule weekly or biweekly meetings where members of these teams sit down. At these meetings, these teams can discuss current contracts, bids, job costing, and any financial challenges facing the project.

But conversation should reach beyond the juncture of where project management and accounting meet. Both teams should discuss the current status of initiatives or internal projects their departments are working on. If nothing else, accounting and project management minds often work differently and the insights they can offer each other can be invaluable.

Kathryn Schneider of FORVIS suggests companies take these meetings even further, potentially turning them into retreats. She paints a picture of how this might look: "People are going to put all this stuff on little sticky notes, throw it up on the wall, and then we're going to break into teams and we're going to go try to figure stuff out. How can we fix some of these things?" she says. By giving these folks the creative space to identify these problems, they're able to work together to solve them.

02 Set Goals to Create Trackable Progress

There is no silver bullet that will instantly connect the project folks and the accounting team. It takes time and deliberate action to merge these teams into one cohesive unit. Setting goals is one of the best ways to take that deliberate action, creating benchmarks by which the relationship can be measured.

The nature of the goals set will depend on the individual company, its processes, and the type of relationship it plans to build. However, some examples include achieving better report accuracy based on field data, accounting team members touring project sites to observe project progress relative to contract progress, a set amount of meetings each month including before issuing payment, and improving project costs and margins.

Check back on these goals at set intervals to track progress. Determine what's working and what isn't and what's necessary and what's simply not. Tailor the process to your company for the best results.

03 Provide Training Opportunities

While the goal is not to turn an accountant into a project manager or vice versa, the truth is that training can foster a better understanding of the two departments' responsibilities. Beginner-level project management or accounting courses are helpful options. Team members can also shadow each other through everyday tasks to better understand what each other does.

When members of these teams are exposed to each other's worlds, they're able to understand how the decisions they make impact each other. For instance, a budget shift might be a simple line item to the management team, but it could have ripple effects and compliance implications for the accounting team. Conversely, cost-cutting practices might look great on paper, but using the wrong materials or removing an important player on the team could send the project completely off track.

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04 Implement Company-Wide Project Management Software Use

Project management software is another helpful tool for improving communication and bringing the accounting team into step with project management. These software programs allow users to see the project from a higher angle, providing more insight into things like project budget, progress, change orders, and other significant aspects of the project that affect more than just the project management team.

Project management software isn't a new theory, and it isn't a cure-all either. However, accounting divisions might not be using the PM software to its full potential, as these departments often have their own software programs they use. Finding management software that will implement with their accounting department's chosen programs is a helpful workaround, but also one program that simplifies the process can also allow companies to reduce their tech stack and simplify workflows.

Kathryn Schneider of FORVIS says that not only does this streamline relationship building, but it also reduces risk. She says, "Take advantage of cloud and APIs to just really minimize that burden and the risk of having a very disconnected technology stack." She says contractors should consider slowing their tech-collecting ways and "find a common platform that we can all make everyone happy on."

Kathryn Schneider,
FORVIS

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Brent Kirkpatrick,
CROWE FINANCIAL

05 Compare Estimates to Actual Financials on a Weekly Basis

Frequent reconciliation is rarely a bad thing. Accounting divisions and project management teams should discuss and compare estimates to actual financial statuses at least once a week. This allows the team to identify inefficiencies or errors before they become too far-reaching, and also pinpoint activities the company is doing well.

Brent Kirkpatrick of Crowe Financial adds, “How are the contract estimates reflected in the financials? How are they updated on a frequent basis or a routine basis? I would say they should be reviewed on no less than a weekly to biweekly basis.”

And, with the new SEC regulations, where companies can write off expected losses, accounting teams can review contracts to better manage cash flow and compliance. Kirk adds, “So that’s where the accountant would come in. They would have insight as to, ‘Hey, we bill company X, Y, Z a hundred thousand dollars every month and every single month they pay us $99,000 and we always write a thousand off.’” The company could write those losses off against investments or bonds—but only if accounting is brought into the fray.

This is truly where the beauty of the two departments’ strengths might lie. The engineering minds behind both of these divisions are able to find the devil in the details during these meetings and truly devise a better overall trajectory for the company moving forward.

06 Create Contract Review Workflows to Promote Clarity

In most companies, accounting doesn't play a significant role in contract proposal or review processes. However, the accounting division contains some of the most detail-oriented minds in the company, and having their eyes glance over a contract before it's submitted, approved, or accepted can go a long way toward improving profits and reducing risks.

But this is one area where things won't happen organically. Companies need to create contract review workflows that intentionally put these contracts in front of review teams that consist of accounting staffers to ensure everyone who needs to see those contracts actually does.

Bring Accounting Forward

There are several ways to bring the accounting division alongside the project management team. And, each company is different, so the methods used may vary. However, what's important is that construction companies do their best to bring these teams together to make better decisions, reduce risk, and keep companies growing into the future.

Adding a Recurring Business Model

The ups and downs of the construction industry are well known. But what if there was a way to avoid the seasonal slowdowns and steady the book so there is cash coming in every month throughout the year? There is, and it's called a recurring business model. In this section, we'll discuss why you need one and how you can add this steady source of cash flow to your business.

Why and How Construction Companies Should Add a Recurring Revenue Business Model

“I have too many streams of income,” said no one ever. When we think of construction companies and contractors, we know that they’re only as good as their next contract. And while things have been generally busy for the last few years, any contractor with more than a few years in the industry slow-downs can be brutal.

We’re talking close-the-doors, shut-off-the-lights brutal.

Like most of construction’s biggest challenges, this isn’t really an industry-specific problem. Many other industries have to worry about booms and busts. But, some industries have learned to keep things balanced with subscription, service, and recurring revenue, and many experts think the construction industry should do the same.

Here’s why and how construction companies should add a recurring revenue business model.

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Why Recurring Revenue is Important

Most contractors are chasing the next big job. It likely hasn't occurred to them that there's a lot of value in having a stable base of smaller jobs in the form of a subscription service or repair division. Here are a few reasons why.

Cash Flow Stability

Most construction pros would agree that there's no such thing as too much available cash. Branching out into service, or subscription-based models can help keep cash on hand.

In general, these businesses cash flow well. There are generally less materials to purchase and service hour rates are easier to calculate accurately. And, since service-based projects are generally much, much smaller, cash will roll in more often (albeit in smaller amounts).

Mike Trammell, an accounting expert at FORVIS, says private equity investors are looking for this stability. According to Mike,

> **"On the subscription and the service line, that's why private equity is getting into the construction field. They can take heavy service companies, whether it be again, mechanical or electrical maintenance on pressure vessels. Private equity won't say long stream of revenue. They're getting into construction not because they love construction risk, but because they want recurring revenue."**

Mike Trammell,
CPA & CCIFT, FORVIS

Seasonal Balance

Seasonal slowdowns are tough to deal with. Sure, they give the crew time to handle some maintenance and repairs on equipment, but after those repairs wrap, layoffs and seasonal downsizing are common. But, with the right service-based business, companies can keep more employees working and producing recurring revenue.

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Client Relationship Management

One of the best ways for construction companies to find recurring revenue customers is to turn to the customers they already have. Serving companies and clients whom they've already worked for is a great way to further build those relationships so the contractor is top-of-mind when the customer wants to take on a larger project again.

The same applies for new customers. If they appreciate the work and attention to detail they receive through their subscription services, they'll remember the contractor when it's time to start their next endeavor.

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Better Resource Utilization

There is an aspect of starting an additional service that just makes sense: the equipment and personnel are already in place. The tools, machines, operators, and tradespeople are available. It makes sense to use them to offer more services that provide cash flow and stability. If the endeavor requires additional equipment purchases or other expenditures, it doesn't make quite as much sense (though it may still be a smart move).

Nick Grandy,
RSM

Increased Valuation

Business models with recurring revenue streams are usually far more exciting for potential investors than those without. These businesses show stability, better cash flow, and owners with higher business acumen. These companies are generally seen as having lower risks and higher rewards—a major benefit when it comes to getting a loan, when looking for investors in a difficult market, or even when it's time to exit.

Nick Grandy, a financial consulting manager at RSM, says, "If you don't want to go an ESOP route, can you sell to private equity? Private equity values a couple of different things a little bit greater than others. So they value that recurring service model."

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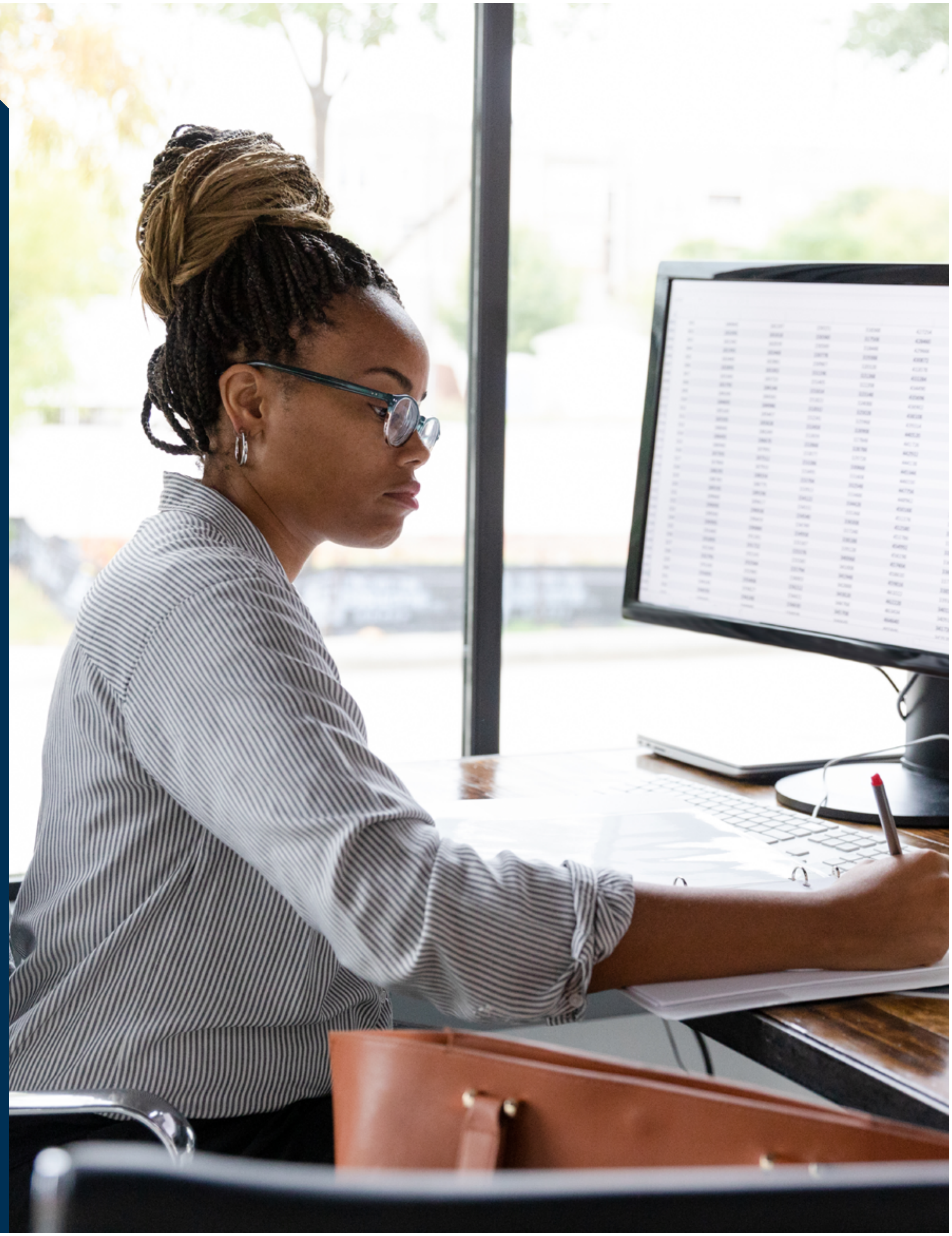
How Companies Can Create Recurring Revenue Divisions

Whether it's for the cash flow or the valuation, expanding into recurring revenue platforms makes sense. But it might not seem easy to get started. Here are some examples of how contractors can add recurring revenue streams or simply expand their business to new customers.



Repair Services

An easy way for contractors to add a recurring revenue branch is to offer repair services for previous clients. This works best for homebuilders and renovation companies. They can contact customers they completed work for five or so years ago and sell repair services to fix the things that have broken since the build.

These prior customers' homes likely experienced some sort of damage in the last few years. Since they know and trust the company, they might hire them straight away without even shopping for quotes. As this branch of the company grows, it can take on new clients and continue to focus on recurring revenue.

According to Mike Trammell, "[We] talked about the opportunity to enter more of the service side of things. Private equity tends to place a greater value on that because that's recurring billing. You probably don't need to work very hard to win that client and win that work, and there probably isn't a huge amount of risk. So that work tends to be more favorable."

Seasonal Services

Other sensible services that construction contractors can offer when things are slow are seasonal services like snow removal and salting. Submitting bids to local commercial businesses could lead to some relatively lucrative contracts. These pros can get paid to clear the parking lots and even move the piles of snow when they get too high, and they likely have the equipment required (though they might have to add a plow or two).

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Emergency Services

Consider taking a page from the electrical or plumbing industries' books. These industries install electrical or plumbing systems, but they also respond to emergencies like generator failures and plumbing stoppages. Survey your strengths to determine which types of emergencies your crew can handle and which licenses you'll need, but adding emergency services is a great way to keep money rolling in, especially since they pay very well.

Another point to consider here is offering emergency services as a subscription of sorts. Companies can pay a set amount each month to guarantee emergency response services. This can be very lucrative on a large scale, as most companies will only need the company once or twice a year.

Disaster Restoration

Disaster restoration can be a great business to get into. Floods, fires, and other disasters can put people out of their homes, and restoration contractors help put the pieces back together. Contractors that go this route will have to become comfortable working with insurance companies, but the learning curve isn't steep and there is certainly money to be made.

Residential and Rental Divisions

Many commercial contractors stick to commercial and industrial projects. But, in some cases, adding a residential-only arm could provide some stability, providing building services for a portion of the population the firm hasn't tapped yet.

Another opportunity could be property holding and rental branches. Depending on the circumstances, some construction companies may choose to purchase, renovate, and rent buildings. In many cases, this requires forming a holding company separate from the majority of the construction company, but can provide stable, reliable income throughout the year.

Home Inspections

Home inspections are another great way to add some revenue to the company's bottom line. Home inspectors need to attend classes and shadow experienced inspectors at first, but maintaining a few licenses on the staff should be fairly easy and allows the company to branch out. If repairs are needed, homeowners are likely to remember the company and give it a call.

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Customization, Renovations, and Upgrades

There is a lot of money to be made by simply improving someone's current living situation. Offering upgrade services to existing customers such as millwork installation, flooring, or exterior structures can bring in extra cash. Renovating spaces and constructing additions, garages, and other home improvements might not be big projects, but they're often quite profitable.

Eco-Friendly and Home Tech Services

There is a keener eye on eco-friendly homes and people are turning to technology to help them achieve it. As such, contractors that offer eco-friendly tech installation and integration could stand to make a lot of money. These pros would connect smart thermostats, digital voice assistants, alarm systems, entertainment technology, and other cutting-edge technology as an additional recurring revenue stream.

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Property Maintenance Subscriptions

Property maintenance subscriptions are a great way to create recurring revenue that's generally very safe. Under this model, the contractor pays a set amount at the beginning of the month, and throughout the month, the contractor performs property maintenance tasks like clean-ups and grass cutting.

If the weather is wet or the grass isn't growing, the contractor still gets paid regardless of how many (or few) times they actually performed the work. This is similar to a retainer, but the contractor outlines all of the work they're willing to do for the subscription amount. This prevents the contractor from being taken advantage of and sets expectations from the start.

Recurring Revenue Could Be Your Key To Success

It's hard to argue that diversifying income isn't becoming increasingly important. The stability that a recurring revenue stream can provide not only keeps the lights on but also indicates to investors that your company is worth the risk. Whether it's a repair division, a remodeling division, or a property maintenance subscription, offering additional services allows companies to take advantage of resources they already have to make more money, assuring success this year and beyond.

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Conclusion

The tips we discussed can help your internal accounting experts move toward becoming vital members of the decision-making team. They'll be able to bring better insight, better risk assessment, and a better financial outlook to the table than anyone else on the team—and that's where their value really lies.

But it takes more than reading these tips to get the job done. CFOs and accounting staff have to put these ideas into action.

Trimble's suite of tools and software can also be the catalyst to getting there faster. If you're interested in changing the way you interact with your project management team, executive board, and other company decision-makers, let Trimble show you how we can help.

Find more tools to help you be a change-maker in your company at the [Turbo-Charged Accounting Resource Center.]

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