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The Definitive Guide:

Successful Financial Planning
in Construction Companies



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In the construction world, there are plenty of “big dates” like the due dates for things like bids or project completion. Some companies may get caught up in scrambling from one big date to the next. However, to be successful at financial planning, construction companies need to be intentional in their planning and not simply caught between billing cycles or jobs.

For financial professionals, quarterly, monthly, and daily dates are built into the cycle that act as fresh starts and ends. Even though the financial year is generally divided up, major events occur at the end of the fiscal year or the end of the calendar year, such as closing out the books and planning for the upcoming year. However, financial planning shouldn't be confined to the end of the year.

Establishing and aligning company benchmarks and goals, and determining if said goals are met, are important objectives to achieve and assess throughout the year.

Read on for actionable steps your construction company can take as you build your most successful financial plan yet.



1. Gather/Organize Data

Each project is a unique entity, from project type to complexity to length to the team. There is generally little to no overlap. Despite this, there are things to learn and replicate from each project, particularly regarding finance.

Because construction companies are involved in multiple projects simultaneously, each in different phases, gathering and organizing financial data is particularly challenging. The financial focus can vary from job to job.

The great variance in terms of project stages and financial focus makes gathering project information even more important. Only with good data can construction companies understand and control costs. Through data capture, your team can begin the process of financial planning.

In addition to enabling planning, organized and easily reviewable data empowers construction companies to bid accurately and submit bids that will lead to profitable jobs.



ACTIONS TO TAKE:

- Connect systems
- Automate tasks
- Align processes

Famed management consultant Peter Drucker said, “If you want something new, you have to stop doing something old.” Companies need to innovate if they hope to grow. It’s more than a gut feeling when you have systems that can assist in gathering and analyzing your past performance in jobs. Automation and shared resources mean your teams don’t have to continually reinvent the wheel year after year.

Gathering, dissecting, and organizing the data from across a construction company will lead to intelligent insights. The finance team can recognize the knowns, such as how much time and money are required to develop a bid, along with the unknowns, such as the effect poor weather may have on the schedule. Having access to such information leads to better financial planning for every subsequent project.

2. Connect Departments



Individual departments become siloed in some companies. While there is an advantage to this — a deep understanding of the department — this scenario can even result in competition rather than cooperation with fellow company members. It's easy to understand how this could happen in a construction company.

Each department can be its own entity, with a budget, goals, and specific responsibilities. A department may not even be aware of the roles of other departments (or may believe they are holding up their end while others are not). Departments can develop tunnel vision and be reluctant to share relevant and helpful information.

Ensuring departments are connected begins with everyone using the same terminology. Connection fosters understanding and enables departments to talk to each other, rather than being siloed. Therefore, they can determine if everyone is on the same page.

The finance department needs to be transparent about its expectations and needs from each department. There is a need to communicate simply and avoid jargon. You can more easily get the information you need by straightforwardly instructing your colleagues. On the flip side, using acronyms that are specific to the finance department can lead to frustration and delays from other departments in gathering needed information.

If other departments feel comfortable and confident when dealing with finance, they may become collaborators rather than simply distributors of information. By communicating this information and the specifics related to it, a finance department can adjust financial planning for the upcoming year.

Each department has the most expertise in its department. Sharing this expertise can be a great asset and lead to successful financial planning.

ACTIONS TO TAKE:

- Encourage collaboration
- Emphasize communication
- Reduce jargon

3. Organize Business Information into One Model

For years, the talk in construction was that the industry was not embracing technology. Though construction is still behind other industries in terms of technology adoption, the industry has come a long way. Currently, there is a massive technology revolution in construction. Many construction-technology companies have been founded in recent years to meet the growing desire of the industry. Construction companies buy these technologies intending to ease their pain points and increase profits.

However, before bringing in new technology or software to your construction company, you need to consider the overall picture. Each department in a construction company may be using a different specialized technology, this means compatibility among the various systems or elements of the tech stack is essential. Information will flow quicker, easier, and more accurately when systems are compatible and can connect. Business information will be more organized and easier to access.

If the various systems in use are not compatible, the information will be siloed and inaccessible by other teams. Even the most helpful information for creating a financial plan is useless if it is not accessible. If moving information from one system/technology/software to another is cumbersome, the process will be slowed, and financial planning will be negatively impacted. Essential data will likely have to be moved manually – this increases the chance of errors from double data entry or out-of-date reports.

In the same vein, it's important to train all employees on any new technology. If they can't use it, they won't and the benefits from it will never be realized. Implementing an in-house training program, where you have super users teaching new employees and being fully trained on the program can be helpful and encourage staff buy-in. With general contractors and subcontractors operating on tight margins, it's especially important to have accurate data when developing a financial plan. For example, jobs that seemed profitable based on the numbers may have been flops. Considering the nuances regarding the information will surely impact financial planning and many other aspects of the company.

ACTIONS TO TAKE:

- Facilitate the flow of data
- Cut cumbersome tech
- Train employees

Successful financial planning requires business information to flow between departments, which leads to multiple benefits, including increased accuracy and less time required to obtain information. Ultimately, it enables your financial team to develop meaningful insights and analyses that can impact the direction of a construction company.

4. Stay Agile with Reforecasting/ Rolling Forecasts

A successful financial plan requires re-creation as a company's situation changes. Waiting till the end of the year or even the end of the quarter to adjust can be costly. Construction companies need to be agile, and that agility needs to apply to all phases of the company, including finance.

An agile construction company is ready to pivot. This is a must in today's fast-moving marketplace. **McKinsey** says, "The agile organization is dawning as the new dominant organizational paradigm." That means the finance department must be ready to reforecast as needed.



Your finance department can implement rolling forecasts, which provide frequent updates and adjustments as conditions change. With a rolling forecast your construction company has a more accurate picture of its cash flow. This information will impact decisions and should be part of the financial plan.

By regularly revisiting the financial forecast, companies can determine if they are meeting benchmarks. If benchmarks are not being reached, pivoting is necessary. When companies are exceeding expectations a rolling forecast provides the insight to determine this as well.

Why wait till the end of the year or quarter or month before taking advantage of a positive development? Maybe that means working with certain subs or trying to get more business with a particular owner or increasing the focus on a certain project type.

Rolling forecasts give construction companies invaluable information that empowers them to be agile. If the finance department senses a situation, it may not be enough to convince management to act. A rolling forecast provides the data and financial information to fully understand the financial ramifications of a situation. It can convince reluctant colleagues, those in the C-suite, and those in the field, that a pivot is necessary and will benefit the company.

ACTIONS TO TAKE:

- Implement rolling forecasts
- Drive dynamic scenario testing
- Enable outcome-based spend reviews

5. Build an Intentional Data Architecture

All these steps rely on a solid foundation for your company information to be built upon. The most important key to a successful financial plan is access to the right data. The business information you are building plans on must be accurate and timely.

Successful financial planning does not happen without the right data. To get it, construction companies need to be intentional regarding their data architecture. The goal of data architecture, the structure of an organization's data assets and resources, is ensuring that management has well-managed data and the information they need.

As your construction company's data architecture advances, it will provide a fuller picture of the company and advance the understanding of the company, and your company will be more agile, in addition to other benefits. Ultimately a robust data architecture leads to more insights and empowers companies to act swiftly.

Construction companies need to be intentional about their data architecture. Intentional data architecture brings a company's siloed business systems together. As an overarching framework, it centralizes data as it assembles data from throughout the business. Therefore, the finance department does not have the challenge of pulling and organizing data. Again, this leaves your finance department more time for analysis and planning.

As your construction company selects its various tech from an ERP to a CPM to cloud storage to cloud computing to billing systems, it needs to be intentional to ensure the flow of data. These days nearly every successful company is a data company at its core. Companies with the right technology to analyze and understand their business and financial data can deduce actionable insights. Those insights are necessary for successful financial planning.

ACTIONS TO TAKE:

- Implement the right technology
- Pull financial data from all departments
- Embrace extended financial planning

6. Get C-Suite Approvals

The final step of any solid financial plan is the approvals. You have to move it up the ladder and talk to the C-suite. Without approval from the CEO and others, a financial plan that took days, hours, weeks to prepare may be for naught.

Whatever the hierarchy style at your company, the C-suite will want to have some level of involvement in the financial plan. The plan will not move forward without their approval. Whether the C-suite sees a completed draft and is not involved with the nitty-gritty or is in the trenches and getting their hands dirty (in smaller companies the CEO may actively participate and provide feedback throughout the process), it's reasonable to expect them to comment, and recommend and make changes to the financial plan.

Those in the C-suite have a different, and presumably wider perspective of the company. For example, they may be considering potential changes, such as acquiring a subsidiary, expanding into new territory, or merging with a competitor. They're in their roles for a reason, and their opinions carry more weight and need to be addressed.

Keeping the C-suite in the loop and responding to their feedback strengthens the financial plan. Though too many cooks in the kitchen can present a challenge, more information and multiple perspectives lead to a better financial plan.

Therefore, as you strive to create a successful financial plan for your construction company, be in contact with the C-suite. Seek their input and be prepared to make changes to gain their approval.



ACTIONS TO TAKE:

- Understand your company's hierarchy
- Be prepared to pivot
- Book in time for regular approvals

With these six steps you can be sure your company will be on the path to a stronger financial future thanks to collaborative work between people and systems and regular check-ins on your financial plan's health. For all of this to work automation is key as it will speed up processes and eliminate a lot of human error as information is shared directly from the primary source to other departments.

Consider making Briq, a financial platform that enables construction companies to be more efficient and profitable, part of your construction company's financial planning. Briq connects people, processes, and systems so you are empowered to make better decisions. Our automated financial workflows can help your team get the right information and free up time to allow for a deep dive and sound financial planning.





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Turn data into dollars.

Briq is a financial platform that enables construction companies to be more efficient and profitable. Briq automates financial workflows by connecting the people, processes, and systems that contractors use to run their business. By empowering contractors to make better business decisions, hundreds of companies rely on Briq to manage their budget, forecast, and spend.

[Learn More](#)

Contact us for a consultation to see how we can work together. Hint: If you're using Excel a lot, Briq can help.