



Systems and Controls

Regardless of the technical nature of your industry there is a certain level of business knowledge with supporting systems and controls that must be in place if your company is to survive, grow and be successful. Having worked with many businesses in the construction industry, we've compiled a "must have" list for your benefit.

Accountability – It is the key to all organizational controls. Employees are provided with clear written expectations and authority to make appropriate decisions. With accountability, the only person an employee can blame for lack of performance is him/herself.

Organizational Structure – Whether your company is GM or Jim's Garage, every function, position and responsibility will fall within three basic areas; sales, operations and finance/administration. No one can effectively report to or take direction from more than one person. Organizational structure is not intended to create a bureaucracy.

Job Descriptions – Well written job descriptions clearly identify whom each employee reports to, limits of authority, responsibilities and duties and most importantly, indicates objective measurements that will be used to evaluate job performance. The employee "signs off" and the document is placed in a their personnel file

Performance Evaluations – Everyone in the workplace deserves to know if they are doing a good job or if corrective action is required for improvement. Evaluations should be simple, written and include a checklist of job performance traits with a section for an action plan to improve weaknesses. This also becomes part of the employee personnel file and provides protection in case of litigation.

Discipline Reports – How do you handle tardiness, work assignment refusal and policy violations? A discipline report system provides a very simple procedure to effectively deal with those employees who refuse to go along with the "scheme of things". Discipline reports also provide additional protection from litigation.

Employee Policy Handbook – All businesses, no matter what size, need an Employee Policy Handbook. Every new employee should be provided with a document explaining company policies. The employee "signs off" indicating that they received a copy and understand it. This is for your legal protection and insures that everyone "knows the rules".

Measurements of Performance – This is the basis for employee accountability, performance evaluations, job descriptions and even employee incentive strategies. Objective measures are developed to evaluate performance (i.e. units produced, sold, shipped) for a specific period of time. Performance standards must be measurable and accurate.

Delegation – This is one of the most powerful management tools available. Yet, most owners and presidents continue to try and "wear every hat". Effective delegation skills enable managers to focus their attention and time on their most important functions and delegate those routine (or not so critical) functions to subordinates. Failure to effectively delegate is the main reason why owners and presidents work such long hours.



Employee Incentive Program - Effective incentive programs motivate employees to achieve higher levels of performance. It is not intended to be a cash giveaway. The problem with most incentive programs is that employees get what they want (more money) but the owner does not get what he/she wants (better performance and more profit). The only effective incentive programs are tied to the company's profitability.

Field Reporting – In businesses where employees work "in the field" a system must be in place to communicate, track job progress and make decisions before problems have a negative impact on profits.

Weekly Sales Report – For companies that require an active sales organization, actual, pending and projected sales must be tracked on a weekly basis. In addition managers must be able to measure the effectiveness of weekly sales activity.

Weekly Operations Report – Typically a one-page report that focuses on the operations side of the business. Compares units produced, shipped, service calls, labor hours or whatever factors you deem important to a similar previous period (last week, same week last year). This also provides some measurement of management or department performance.

Current Position Report – A weekly report designed to summarize the financial position of the company this week compared to last. It includes cash available, A/R collection activity, A/R and A/P aging and other financial information to reflect a one-page "financial snapshot" view of the business.

Executive Summary Report – In smaller companies, this report is usually a combination sales, operations and current position report on a one-page format.

Cash Flow Forecast – Perhaps the most important management tool. Utilized to forecast the cash flow position and needs of the company, typically 45-90 days out. The CFF should be easily updated (20 minutes) each week to project future cash flow position.

Seasonal Sales Analysis – No business generates 1/12th of its business in each month for the entire year. This dramatically affects expense and profit behavior throughout the fiscal year. Historical monthly sales trends are analyzed to project future sales. This information is essential in the budgeting process.

Historical Cost and Expense Analysis – Similar to seasonal sales, this process analyzes trends related to how the company spends money. This information is also essential in the preparation of projections and budgets.

Financial Management Markers – Critical financial calculations that will determine the accuracy of most profit related systems and controls and ultimately, the very survival of the business. These calculations include actual fixed costs, annual overhead, burdened labor costs, breakeven point and target profit. If these calculations are incorrect it will be nearly impossible for optimum job costing, bidding and estimating, measurements of performance, incentive strategies and the overall performance of your company's operating assets and liabilities.



Job Costing – Effective and accurate job costing systems are not usually present in most small businesses. Rarely do these systems track actual hours and material, or use burdened labor rates and actual overhead.

Bidding and Estimating – An effective bidding and estimating system includes all the costs of labor, materials and overhead, plus a percentage added to ensure that target profits are met. Most internally developed systems do not include all real costs, resulting in failure to meet profit goals and in many cases actual business failure.

Budgeting – A process to plan the business' revenue and expenses in order to achieve a targeted profit level. This process includes analyzing the business' revenue and spending trends and using that information to project growth and meet targeted profit. Budgets are usually prepared for the fiscal year and for each month in that year. A "Flex Budget" should be created to reflect appropriate spending levels when revenue changes above or below projected target.

Variance Report – A process, which analyzes and explains any variance from budget by line item. The intent is to provide a tool to assist management in meeting annual profit goals.

A/R Collections – Companies that provide payment terms must be involved in the collection of money owed. Owners and sales people should never get involved in collections. Effective collection systems are available that provide outstanding results without offending your customers.

Trigon Solutions – Providing owners and presidents with specialized knowledge and management tools that help them grow and be successful.