

SOME IDEAS FOR ARCA MEMBERS ON

surviving the recession

In the current testing economic climate, many companies fall foul to the difficulties and problems that occur through a decrease in workload and a lack of spending by those who use their services.

The construction industry sees this more than most industries, so it is imperative that a plan is in place to deal with it – after all, the nature of the industry is cyclical and this will not be the last time we hit difficulties.

Although this plan will need to be company-specific and is dependant on many factors, the following are some criteria that have been previously successful that should be considered:

1. Generally Tighter Financial Control –

this may seem obvious but is the first step to take. Keep a close eye on expenses, phone bills, etc and ensure that costs aren't being incurred unnecessarily. Efficient ordering of materials should be examined (bulk buying v buying-when-needed).

2. Eliminate Staffing Inefficiencies –

don't just react and cut staff, this should be proportional to the downturn in work and should highlight inefficient areas of spending. When the dust settles, the staff remaining should be able to carry out the work.

3. Maintain Flexibility –

ensure staff and resources are sufficiently flexible to move into different projects or areas if the work dictates. If resources are rigid, a shift in work patterns could affect your ability to undertake certain types of work.

4. Focus on Quality –

do not cut corners to save time at the expense of quality. This will be damaging in the long run so give realistic programmes for carrying out

work, regardless of any outside pressures to perform quicker.

5. Eliminate Loss-Making Areas –

are there any work areas or customers that are loss-makers or poor contributors? Consider moving away from these and focusing resources on more profitable areas.

6. Prepare for the Future Recovery of the Industry –

this is fundamental to long-term survival. Have regular strategy reviews and adjust to adapt to any shifts in the market or in customer trends. Employ the right staff at the right time and be prepared to expand quickly if necessary.

7. Focus on Staff Motivation –

keep employees informed with the current business position and strategy to give them a sense of belonging. A simple thank-you for good work done can go a long way.

8. Lower Debt/Reduce Borrowing –

refinancing or renegotiating bank loans should be considered wherever possible. Maintain vital resources such as land, property, etc if possible to increase potential sale value later. Conversely, consider selling resources that are losing money and dragging down the bottom line. Consider items such as premises, cars (own v hire), and associated finances, insurances, etc.

9. Improve Customer Experience –

be willing to provide what the customer wants. Treat priority customers as such but do not ignore potential new customers – go "above and beyond" for the most important customers.

10. Maintain the Company Strategy –

try not to overreact to changes. A long-term strategy should be maintained throughout,

adapting short-term strategies in order to achieve the long-term aims. Do not overreach at the risk of the core business model but consider low-risk opportunities in new areas. Always consider how the company can be best-positioned for the future recovery.

11. Protect Market Share –

know the company's limits and maintain strength in areas of work that the company is already strong. Always protect the core customers and core areas, regardless of other opportunities.

12. Prioritise Work Areas –

high profit, low risk is a priority. New work areas are good but don't plunge too many resources at the start – build slowly and cheaply, lowering the risk.

13. Increase the Use of New Technology –

consider using technologies that could increase efficiency, for example the ability to receive emails on the move is a must in order to be available to customers and increase efficiency.

14. Reduce Buying for Inventories –

have an efficient re-ordering process for office stock and only buy them when they are low or needed. A list of commonly used stock items could enable an efficient re-ordering schedule to be used. Don't buy stock that you don't need but don't waste time by not being able to work if you run out – strike a balance that works.

15. Freeze Executive Salary Increases and Bonuses –

not always a popular suggestion but by doing this, a commitment is shown to the rest of the workforce and their appreciation should yield positive results.



Work Areas

It is also necessary to consider the areas of work that are likely to be more affluent and receive greater investment. These areas are ever-changing and will depend largely on political influence. With a general election approaching, picking specific areas that are likely to be profitable is far from easy and should be considered with great care, particularly as investment funds continue to be slashed.

The Building Schools for the Future programme is one of the largest Government funded schemes as is Health Service.

Local Authority repair and maintenance works tend to vary year by year as local budgets dictate spending.

Project Selection

The way in which projects are selected can be the difference between success and failure, between survival and not.

1. Familiar Customers –

carry out work for customers that you know and can trust to pay on time. If they've served as good customers in the past, prioritise their work. Be careful not to jeopardise potential new business however, provided it is not high risk/low profit.

2. Familiar Projects –

whilst spreading into new work areas to adapt to changing markets is key, if there are a number of projects to choose from then those that are familiar should provide the positive results.

3. Careful Project Selection –

this is important if there are a number of projects available. If projects are few and far between, this choice becomes limited and carrying out any type of work may become the norm. However, always carry out a check on new customers for financial status and reputation - do not take on work for companies who are likely to go bust or who have a reputation for bankrupting subcontractors.

4. Projects in the Local Area –

this will likely be dependant on the factors dealt with above but bear in mind that the nearer the project, the easier it is to distribute resources and control spending.

5. Offer Discounted Prices –

if work is still proving difficult to obtain, it may be worth considering discounting the prices. Do not do this as a matter of course if work is still being won at old price structures but consider this as a way in with new customers or to cover overheads if work is thin on the ground.

This model is a guide, or a series of signposts that can help point a company in the direction towards survival, we do hope that ARCA Members find it of interest.

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