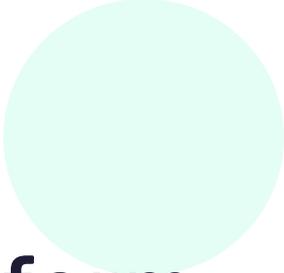


# Command Your Cashflow

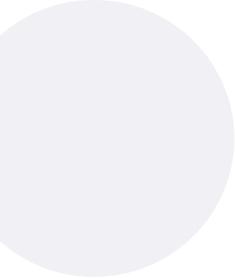
tips for better construction  
financial outcomes

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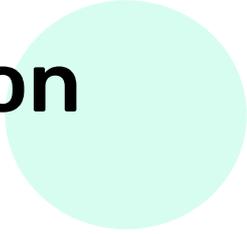
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**“A true construction financial analytics platform helps us identify correlations and patterns in financial data that humans cannot detect. These insights allow us to catch risks earlier and give us a critical competitive advantage in our market.”**



# Introduction



There are an innumerable amount of factors that go into cash flow forecasting: clients, estimates, contract terms, change orders, the list goes on. Even with years of industry knowledge and experience, the best financial leaders still have trouble commanding their cash. At Briq we believe that construction executives shouldn't have to rely on just guts, but rather a combination of the killer instincts they've honed through years of experience, coupled with extremely accurate data-driven insights. Imagine taking the anxiety of inaccurate estimates out of your forecasting. Imagine information that allows you to mitigate risk before it even occurs. Imagine this all available at the touch of a button. That is the power of data analytics.

Many strategies are used to execute financial forecasts, but often there is no clear path, no certain "right" or "wrong" answer. Utilizing a smart analytics platform to execute these predictions puts the power into the hands of decision-makers instead of the hands of fate. In the battlefield of economic uncertainty, loose data, and human error, Briq is the perfect secret weapon that allows you to command your cash flow and forecast for success on every project, every time.

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# Command the Chaos

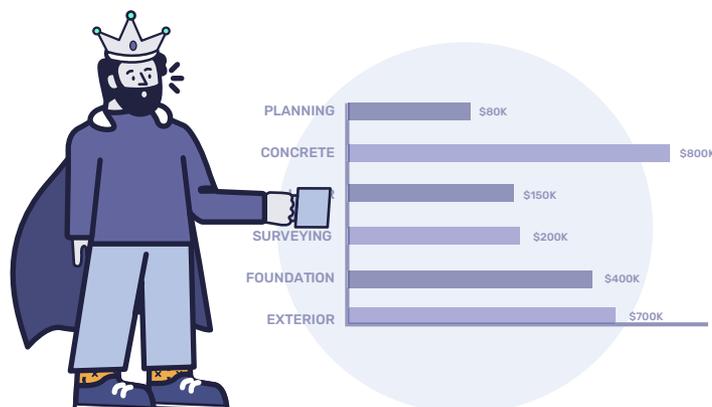
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*"We have lots of reporting— there is no shortage of dashboards that can give us a snapshot of the business. What we lack is context. A true analytics platform helps us identify correlations and patterns in the data that humans cannot detect. These insights allow us to catch issues earlier and give us a critical competitive advantage in our market."*

## IF IT DOESN'T ADD CASH, IT BLEEDS CASH

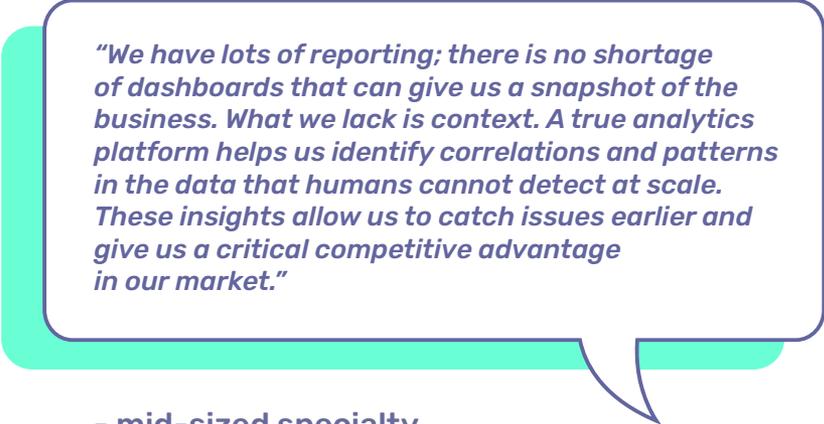
Construction financial executives are vigilant managers of chaos and risk, but even the most trained and attuned, face unexpected challenges that are born from the inherent complexity of their projects and from the clients and markets they serve. Job sites can be suddenly suspended, short term setbacks may threaten payrolls, and labor shortages lead to compressed schedules. All the while executives are frantically trying to understand how cash is moving into and out of the business.

When construction is hit with economic uncertainty, cash isn't just King, it's the Emperor. As markets swing and as contractors see unprecedented disruptions to normal business operations, financial managers feel the incredible strain to keep projects in motion, to have labor working on the job site, and to keep their backlogs filled. The lighthouse in this uncertainty is cash. Those that are able to masterfully forecast cash flow and execute on their strategic financial visions are those that will continue to serve their markets and clients for decades to come.



Executing on a financial strategy begins with having a fundamental understanding of the financial position that your company and projects are actually in. This means contractors need to be able to answer questions with hard financial and operational data, not gut alone. How will the projects I pursue impact my profitability and cash position? What is the actual margin on my jobs? What is the variation of that margin over time? What margin can be expected when you do this type of work? These questions are not answered overnight and require serious manual time and effort to gain that visibility.

The ability to do this means that data must flow through the business seamlessly and information must be sourced quickly. Data should be sourced from every nook and corner of the business: Excel files, shared cloud drives such as Sharepoint or OneDrive, and historical data from legacy systems. This is not an easy task, but it must be done quickly and without



*"We have lots of reporting; there is no shortage of dashboards that can give us a snapshot of the business. What we lack is context. A true analytics platform helps us identify correlations and patterns in the data that humans cannot detect at scale. These insights allow us to catch issues earlier and give us a critical competitive advantage in our market."*

**- mid-sized specialty contractor on the West Coast**

spending precious time and overhead dollars, especially when employees are at their limits. Controllers and accountants are not intended to be data-entry clerks, nor should they be asked to build complex data science models to find patterns in the business.

## **DON'T RELY ON REPORTING**

Often, contractors find themselves using reports and dashboards out of their accounting or project management system. While these dashboards help to provide a good snapshot of the business, these reporting tools do not solve the critical workflow automation and intelligence capabilities needed to understand the data.

This is why investing in a data analytics platform is so important: it automates the tedious workflows to handle and manipulate data, and it provides the intelligence and predictive component to understand where your company is going— not where it has been. A reporting tool is only a visualization of something that has already happened. Long-term financial success of any construction company is in how well they can anticipate what may happen on future jobs.

How well you understand the state of your business today– and the level of detail that exists within– is a good representation for future performance of any contractor. Modern construction financial accounting and forecasting is essential to the performance and survival of your company in the ever-changing construction landscape.

## START WITH GOOD QUESTIONS

The construction industry often feels like working on the Tower of Babel; everyone is speaking a different language and there's no translation between departments. An essential element of improving company-wide financial understanding is to break down the language barrier between the finance team and the operations team. Typically, project managers don't come from a finance or accounting background, yet somehow CFOs think that they can hand over a financial statement to someone in the field and they will understand what to do with it. This specialization bias goes both ways.

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Instead of brute force, there needs to be harmony between departments and a meeting ground where financial accountants can speak the language of operations, and vice versa. That often means learning to talk in pictures by presenting dashboards and charts, but since the beginning of construction every executive has been on the 'Project Health Dashboard' scavenger hunt. Unfortunately, it's been a mission without a cause. Why? Charts and dashboards are time consuming and labor intensive. Also– construction leaders need to focus on construction, NOT data science.



# Cash isn't King, it's the Emperor

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*"Working capital is not something that just a CEO or CFO can change. The payables are managed by procurement; receivables are managed by the commercial teams; inventory is a combination of the operation, supply chain, and other business leaders. To be able to turn around the performance across all of those, you have to convince a number of people at all levels of the organization to change their day-to-day behaviors."*

**Matt Stone, McKinsey's Inside the Strategy podcast.**

Cash is the most important line in your financial statements, but cash flow problems are often a symptom of other operational or marketing failures. Adopting good data analytics is the first step in addressing those operational bottlenecks and improving your cash management.

Clear communication between the CFO, Operations and Subcontractors pushes all departments to spend more time thinking about the cash cycle and where cash may be tied up unproductively in things like overhead, materials, and mismanaged projects. That covers everything from the discipline around perfecting the timing of paying invoices– not too early and not too late– to things like the invoicing processes on the receivables side. To get started, here are some strategic management questions to ask that are related to cash:

- How are the projects I'm bidding on going to impact my cash position in the future?
- Should I increase my throughput?
- Should I offer more services or expand to new markets?
- How can I decrease the cost of goods?
- Is there a way I can get a bigger spread on materials and get my employees to be more efficient?
- How do I collect payments faster?
- Where and how can I reduce my overhead?

# 40% **MORE ACCURATE**

40% more accurate for  
cost-to-complete, cash, labor,  
and more

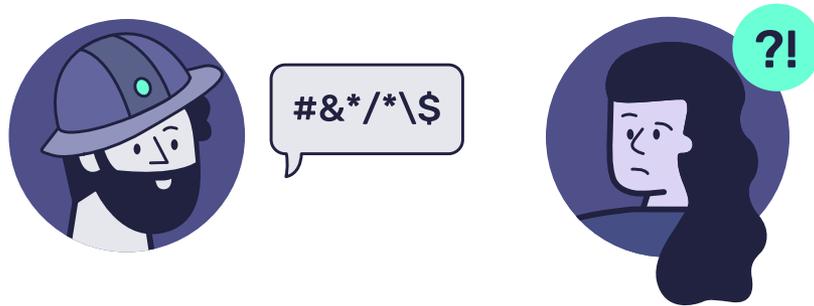
Seeing these financial trends in both historical and predictive terms gives context, and gives the opportunity to course correct in areas where there are downward trends. Any human today could spend the time getting answers to these questions, but the time and effort to do that is overwhelming and unrealistic.

## **STRATEGIC GUIDANCE TAKES WORK**

Construction managers often wait all year for their CPA or accountants to give them a year-end report where they expect to have that “ah-ha” moment about their business successes and failures. Unfortunately, that never happens. Contractors must recognize that their year-end accounting statement is not meant to provide business insight and that their accountants’ primary expertise is to review their financials and make sure that they comply with the rules, not necessarily to unlock insights from them. Accountants and CPAs can help to ensure your financial data is in good order. Combined with automated workflows, contractors can pipe their clean data into a sophisticated analytics platform that will direct higher-level decision-makers in accurately interpreting their business.

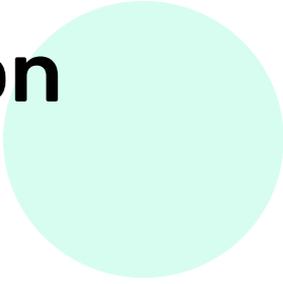
## **USE YOUR FINANCIAL STORIES TO INSPIRE CHANGE**

Every book tells a story, and your financial books are no different. Too often, however, reading those books is like reading English with the words all out of order. You understand what they mean individually, but you don’t know the story because it’s lacking context. To extract a meaningful narrative from the strings of numbers in your spreadsheets, you need a translator. Analytics platforms do this by providing context and connectivity for your operating decisions. This in turn then defines appropriate long and short term goals and provides strategies for achieving them. This might include understanding if your business model is working for you or if you need to make adjustments to the projects you’re bidding on. Maybe you need to spend more energy bringing on more projects with more diversity or maybe you need to first fix your business model so that when you do procure new clients, the work is profitable for you. If you’re pursuing more business and more debt, you need to be doing so from a solid business model.



Ultimately, storytelling drives the communication required for a full cultural transformation. This occurs when all the departments of the project understand the impacts that their choices make on the overall financial health of the business. For the first time, managers have a chance to evaluate their behaviors and how that may be affecting the overall business performance. What results is a sustainable release in working capital for other types of investments or emergency measures. In short, analytics give each individual manager a consistent toolkit to make better decisions.

# Conclusion



In times of business uncertainty, it's critical to have a command of your financial position. Without good cash flow strategies, you may miss capitalizing on the many opportunities that a downturn brings - such as picking up key qualified staff and discounted equipment.

Hardships are a time to reevaluate and it's important to never let a dramatic change in the business environment go to waste. This could be the ideal time to pivot your construction company from a legacy business model into emerging technologies like data analytics. With improved financial management through analytics, well-organized construction companies will be positioned to roar out of any economic downturn and acquire the projects and talent needed to seize opportunities for expansion in the coming years.