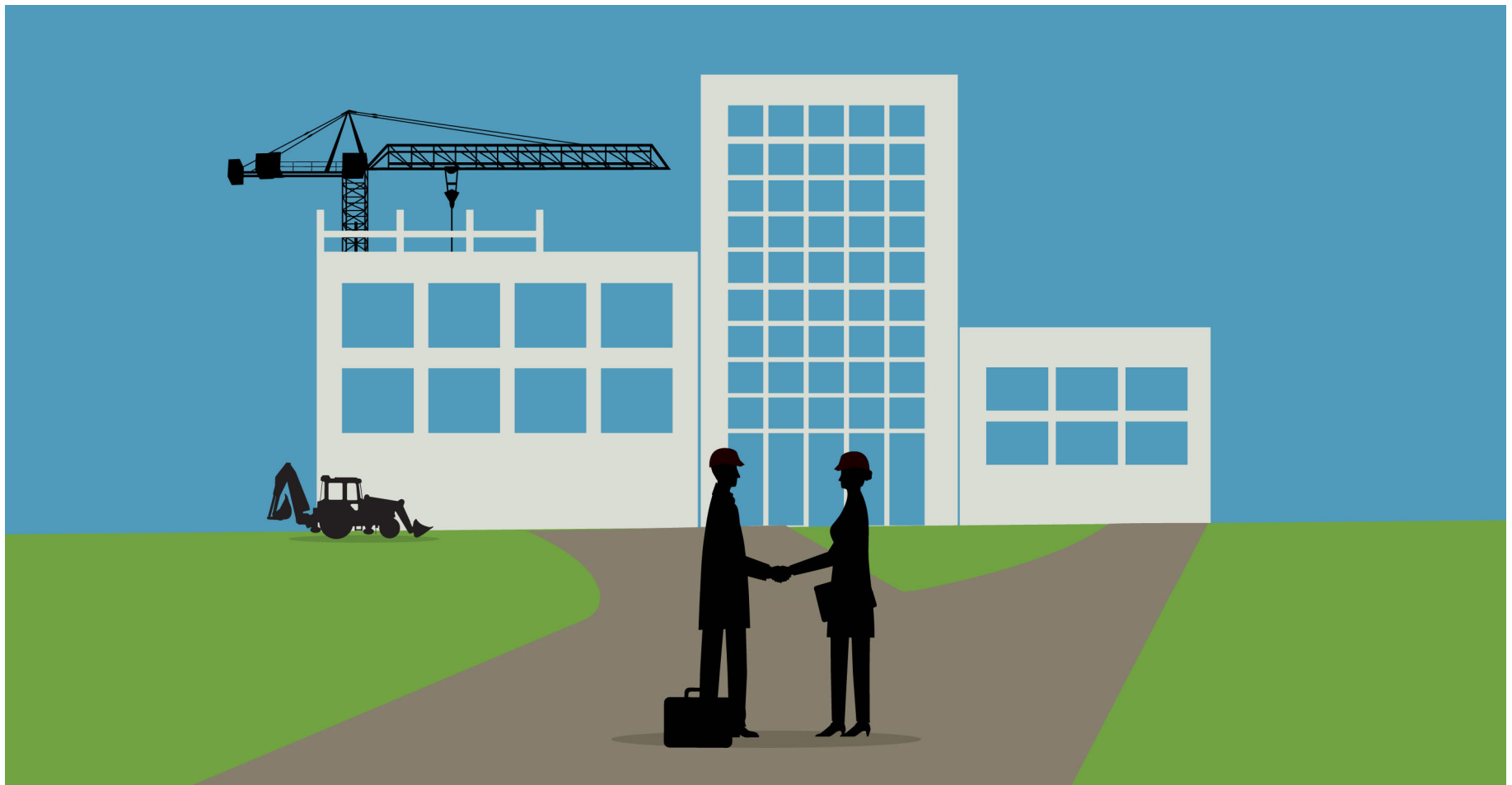


DHG

DIXON HUGHES GOODMAN LLP

American Subcontractors Association
of the Carolinas

Benchmarking - an Exercise in Key Performance Indicators



Who is this guy?



Mike Trammell, CPA, CCIFP | Lead Partner, DHG Construction
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- Mike Trammell is the Managing Partner of the Spartanburg, SC office and serves as the leader of DHG Construction. Mike has over 30 years of experience working as a trusted advisor to contractors of all types and sizes. Mike also served as controller and CFO of a general contractor giving him an ‘inside’ perspective. He also holds a South Carolina General Contractor’s License. Mike has spent his entire professional career working in the construction industry.
- DHG (Dixon Hughes Goodman LLP) is the 17th largest CPA and advisory firm in the US, and is the largest firm headquartered in the South. With headquarters in Charlotte, NC the firm has 36 offices in 14 states. DHG Construction is the firm’s industry service group, providing accounting, tax and advisory services to the construction industry.
- As a lead Partner in the DHG Construction Group, Mike continues to provide consulting, tax, and financial statement services to contractors across the Southern U.S. He assists companies with financial reporting, tax planning, due diligence, and operational, strategic, and succession issues. He also works with various construction-related groups concerning the long-term health of the industry and its members. Mike often speaks to construction industry groups regarding accounting and costing issues, as well as such industry issues as financial management, strategic planning, and construction legislation.

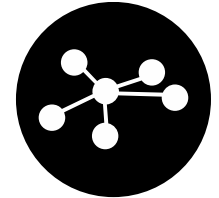
An “aha” moment



“If you don’t know where you’re going, any road will take you there”

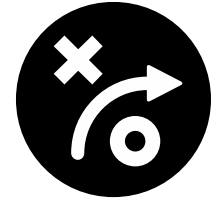
- Lewis Carroll, “Alice in Wonderland” (1865)
- George Harrison, “Any Road” (1988)

Getting from “here’ to “there”



- What do you have to know?
 - Where are we starting from?
 - Where are we going to?
 - How are going to get there?

Why change anything?



- Most humans are reluctant to change
- Change is inevitable
- In today's open and competitive environments, value is constantly being measured and evaluated

And since...



Since Companies and Individuals are being measured and evaluated, shouldn't....

- the measurable make sense?
- the measurable be known?
- plans for improvements be “planned”?

Optimizing change...



Never tell people how to do things. Tell them what to do and they will surprise you with their ingenuity.

– George S. Patton

So....

What is Benchmarking?



- practice of comparing business processes and performance metrics to competitors and best practices
- used to measure performance using specific indicators

So....

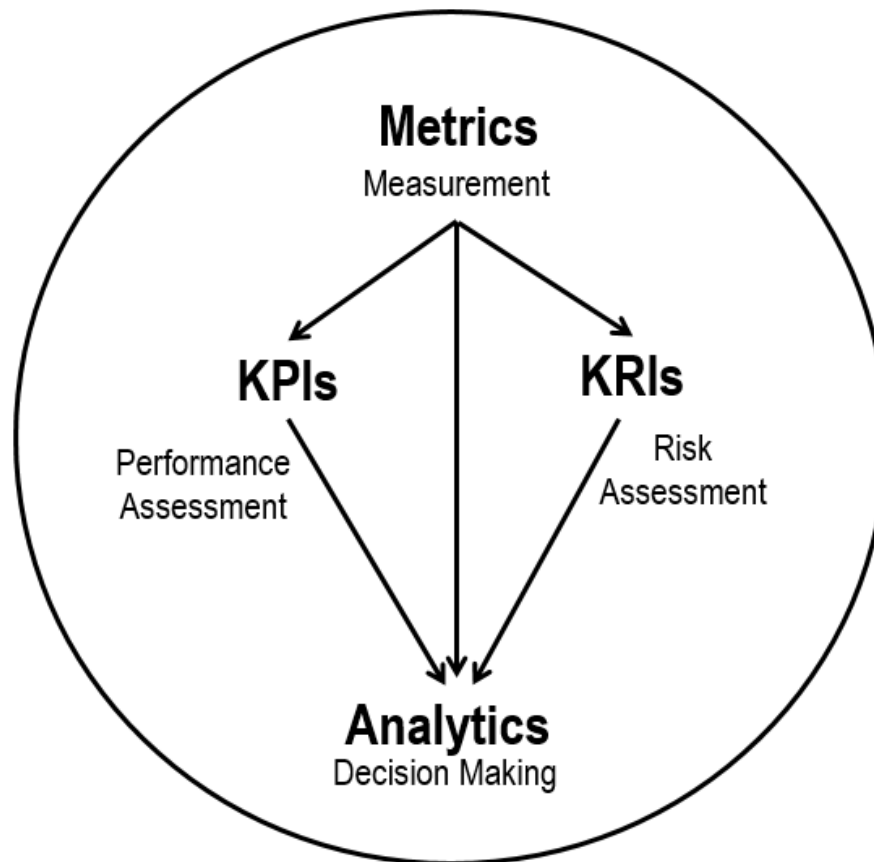
What are KPIs?



- Key Performance Indicators
 - K - identify the “real issues”**
 - P - benchmarking against a goal**
 - I - monitoring progress**

KPIs vs. KRIs vs. Metrics

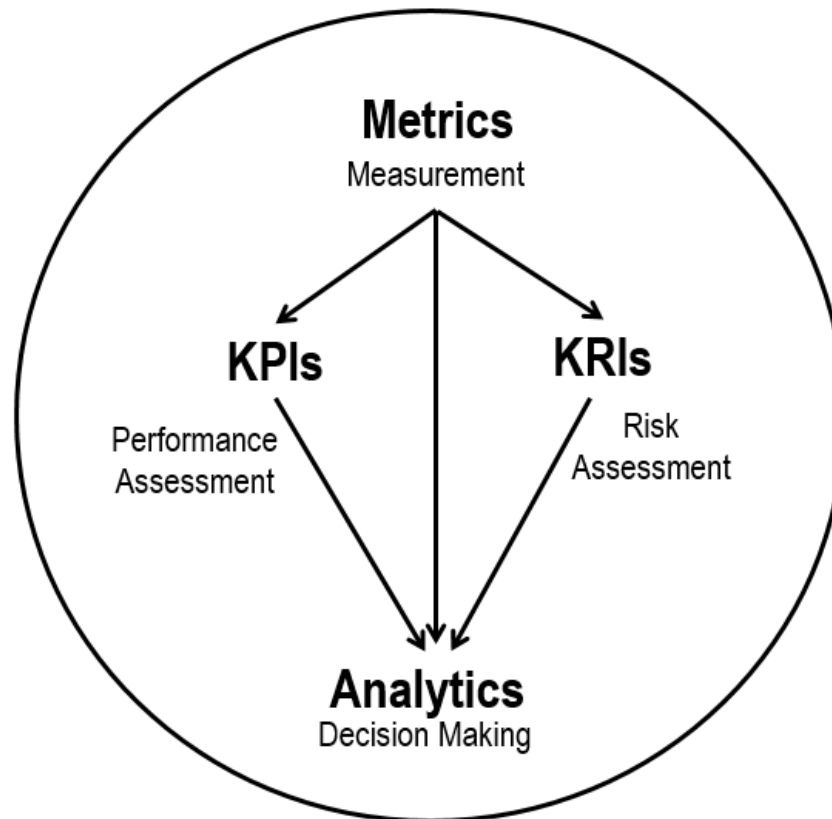
Most ANYTHING can be measured



KPIs vs. KRIs vs. Metrics

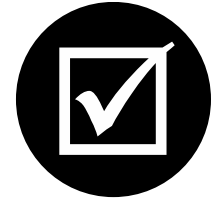


Therefore, everything we measure is a metric. If it reflects performance it becomes a KPI. If it reflects risk it becomes a KRI.



KPIs - General

What are some KPIs?



- Garden Variety (occurring in general)
 - Satisfaction surveys
 - TV ratings
- Economics
 - GDP
 - Housing starts
- Societal
 - Per capita income
 - Graduation rates

KPI – Business (Financial)

- Measuring progress toward strategic objectives



Strategic objective (Goal)

Financially perform in the top 25% of all (_____) Contractors (trade, niche, etc..)

KPI – ROE Return on Equity

Where are we now?

(starting point – benchmarking step #1)

What is the 75th percentile benchmark?
(destination)

What can we do to drive profitability?
(how do we get there)

KPI – Business (Non-financial)

- Measuring progress toward strategic objectives



Strategic objective (Goal)

Improve workforce safety by 15% per year

KPI – # Reportable Incidents

How many reportable incidents in 2017?

(starting point)

What is the targeted 15% improvement?

(destination)

What can we do to drive safety?

(how do we get there)

Drivers of Construction Company Valuation

- ROI / ROE
- Performance
- Credibility
- Accountability
- Systems
- Culture
- Leadership
- Sustainability



What are the Strategic Priorities (Goals)

– Corporate



– Divisional

– Operating Team

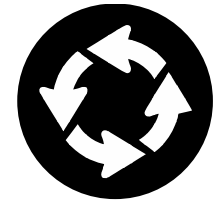
Where are we going?



- Determining the KPIs for each Strategic Objective (Goal)
 - must have at least one KPI for each goal
 - can have more than one KPI for a goal
 - be sure that it measures the right things
 - be aware of unintended consequences

Interactive time

Gather in groups of like job positions (PMs together, Estimators, etc.).



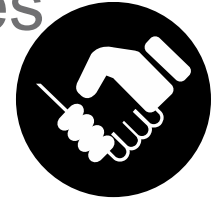
Work together and come up w/ 3-4

What are goals that pertain to your job?

What might KPIs for each goal be?

KPI – Construction (Non-financial)

- Measuring progress toward strategic objectives



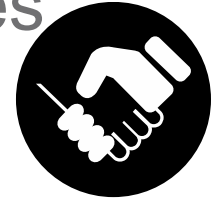
Strategic objective (Goal)

KPI – # Reportable Incidents

- (starting point)
- (destination)
- (how do we get there)

KPI – Construction (Financial)

- Measuring progress toward strategic objectives



Strategic objective (Goal)

KPI – # Reportable Incidents

- (starting point)
- (destination)
- (how do we get there)

Why should I change anything?

- Remember

- Most humans are reluctant to change
- Change is inevitable
- In today's open and competitive environments, value is constantly being measured and evaluated



But,

Since we all being measured and evaluated,
shouldn't we -



- **measure the right things?**
- **get everyone to work together?**
- **plan our improvements?**

“Aha” revisited



“If you don’t know where you’re going, any road will take you there”

- Lewis Carroll, “Alice in Wonderland” (1865)
- George Harrison, “Any Road” (1988)

THE END

Questions?

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