
Perform, Produce and Prosper

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- **What we will discuss**
 - State of the Industry
 - Why focus on productivity?
 - Bonded work as a niche

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- **Why Focus on Productivity?**
 - Increased Profitability
 - Less Rework
 - Improved Margins
 - Happy Customers

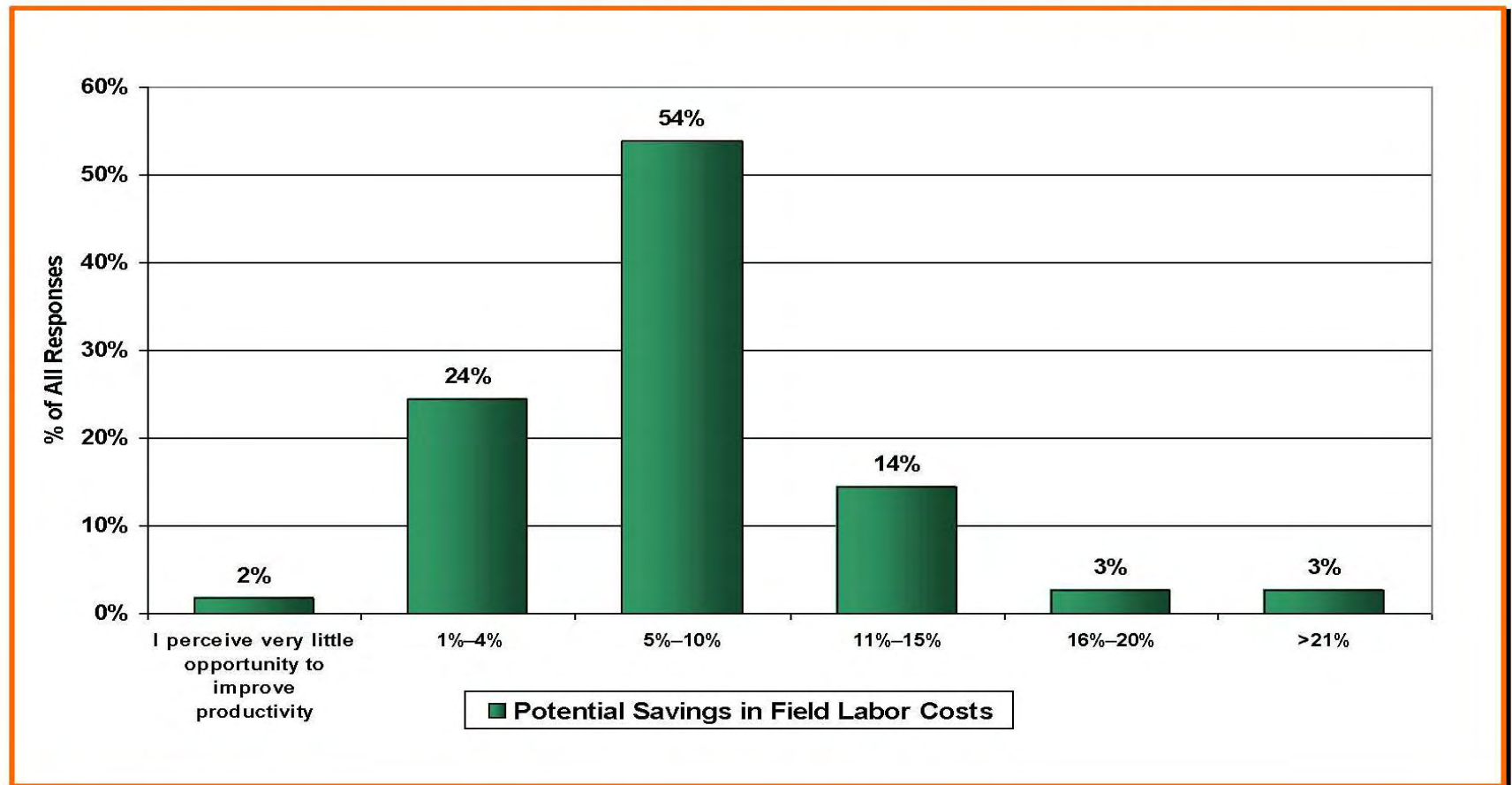
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- **Why Focus on Productivity?**

- The current competitive environment will continue for some time
- The fat has been squeezed out of overhead
- That's where the money is!

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The portion of annual field labor costs that could be saved through better management.



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Percent Improvement	Per 8 Hour Day	Increase in Profitability
2%	10 Minutes	20%
5%	24 Minutes	50%
10%	48 Minutes	100%

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**The difference between
average and world class
performance is 48
minutes!**

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- **The secrets to improved productivity**
 - **Have a process for everything you do**
 - **Document the process**
 - **Measure results**

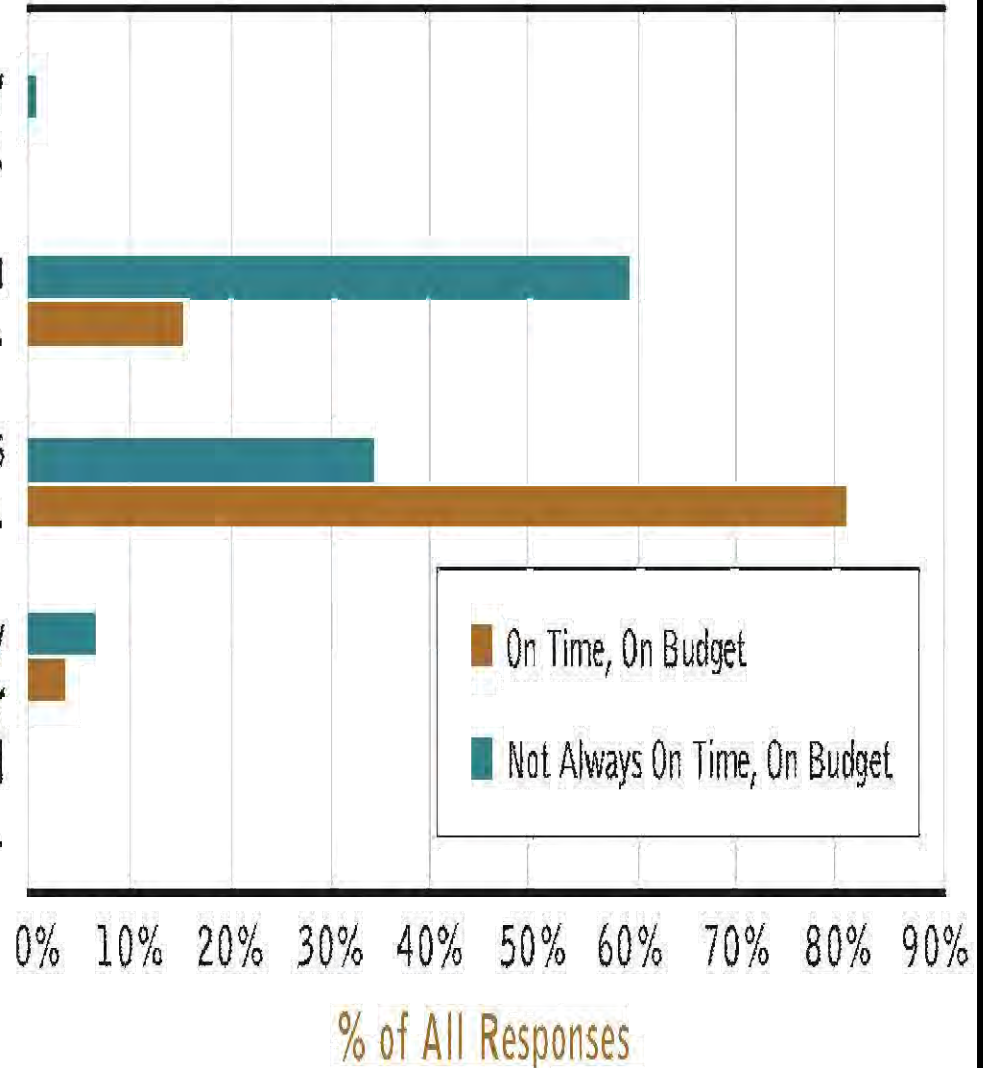
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We have a "cowboy culture," and there is much variability from one manager to another.

We have processes and procedures, but the application varies based on each manager's style.

We have a tried-and-true "company way," and there is little deviation from one manager to the next.

For our large projects, we have a set standard "company way" that is followed by all project managers, but for our small projects, we lack a firmwide standard, and each project manager follows his/her own procedure.



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- **The secrets to improved productivity**
 - Focus daily on improving productivity
 - Continually look for creative, innovative construction techniques
 - Glorify the field
 - Don't have profit fade

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- **The secrets to improved productivity**
 - **It starts with project selection**
 - Know the types of work and customers that are most profitable
 - Track estimates and performance on every project
 - Examine by type, size, location and customer
 - **Beware of risk!**

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- **Estimating**

- Have superior estimating skills and systems
 - Written process
 - Track results
- Know the contract terms
 - Scope of work, general conditions payment etc.
- Involve operations people in the estimating

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- **Project turnover (estimating to production)**
 - Have a written process
 - Provide adequate time
 - Both hours and calendar
 - Involve both estimator and PM

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- **Production**

- Daily Huddles
- Weekly job meeting
- Two week look ahead report
- Management dashboard report

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- **Fundamentals of Productivity Improvement**
 - Increased productivity = increased margins
 - Firm-wide best practices = improve efficiency
 - Proactive processes > reactive individuals
 - The greatest challenge is changing individual behaviors

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- **For Introspection**

- Do you have these processes in your organization?
- Are they consistently applied? Are they the same or does each person have their own way of managing?
- As your customer base has changed, have your processes changed?
- How do you ensure they are being followed?

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State of the Industry

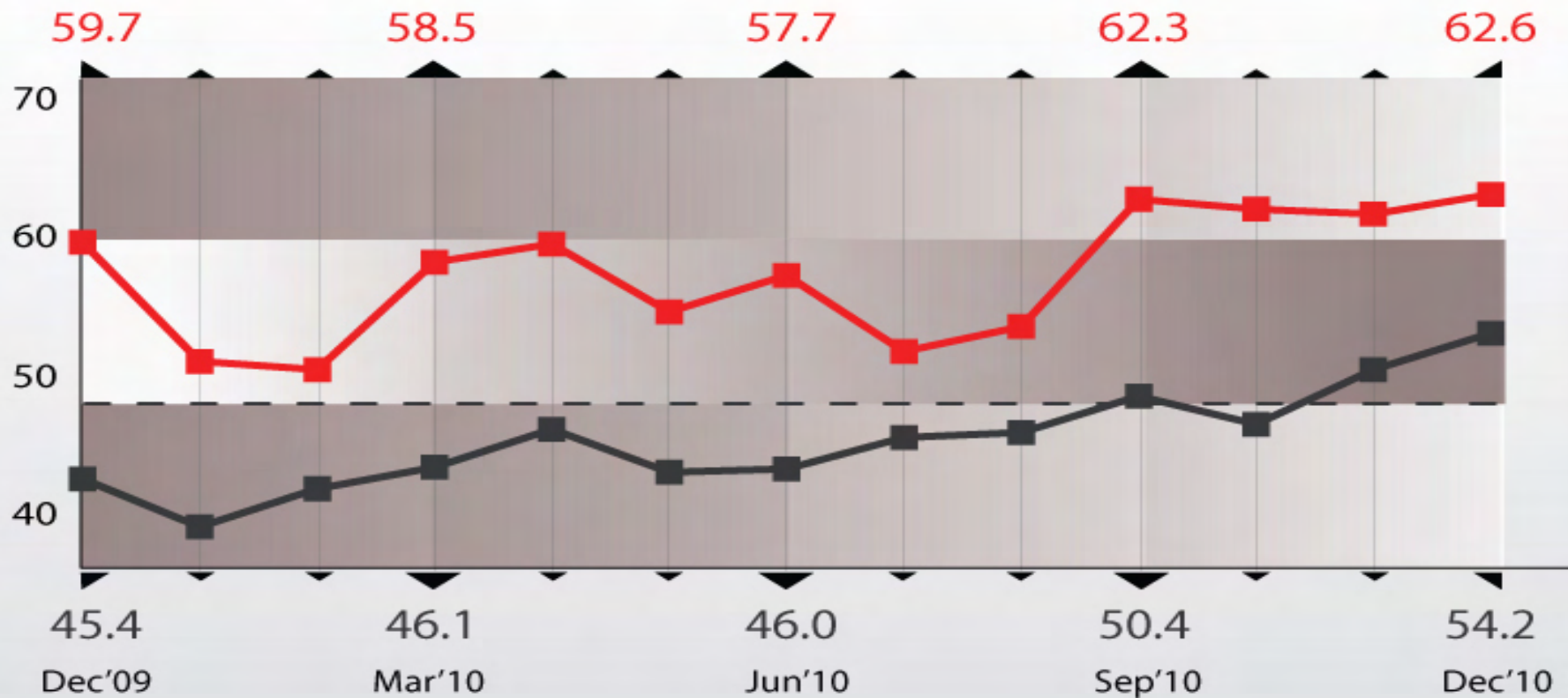
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Business Conditions at Architecture Firms Improve for Second Consecutive Month

billings and inquiries scores over the past year

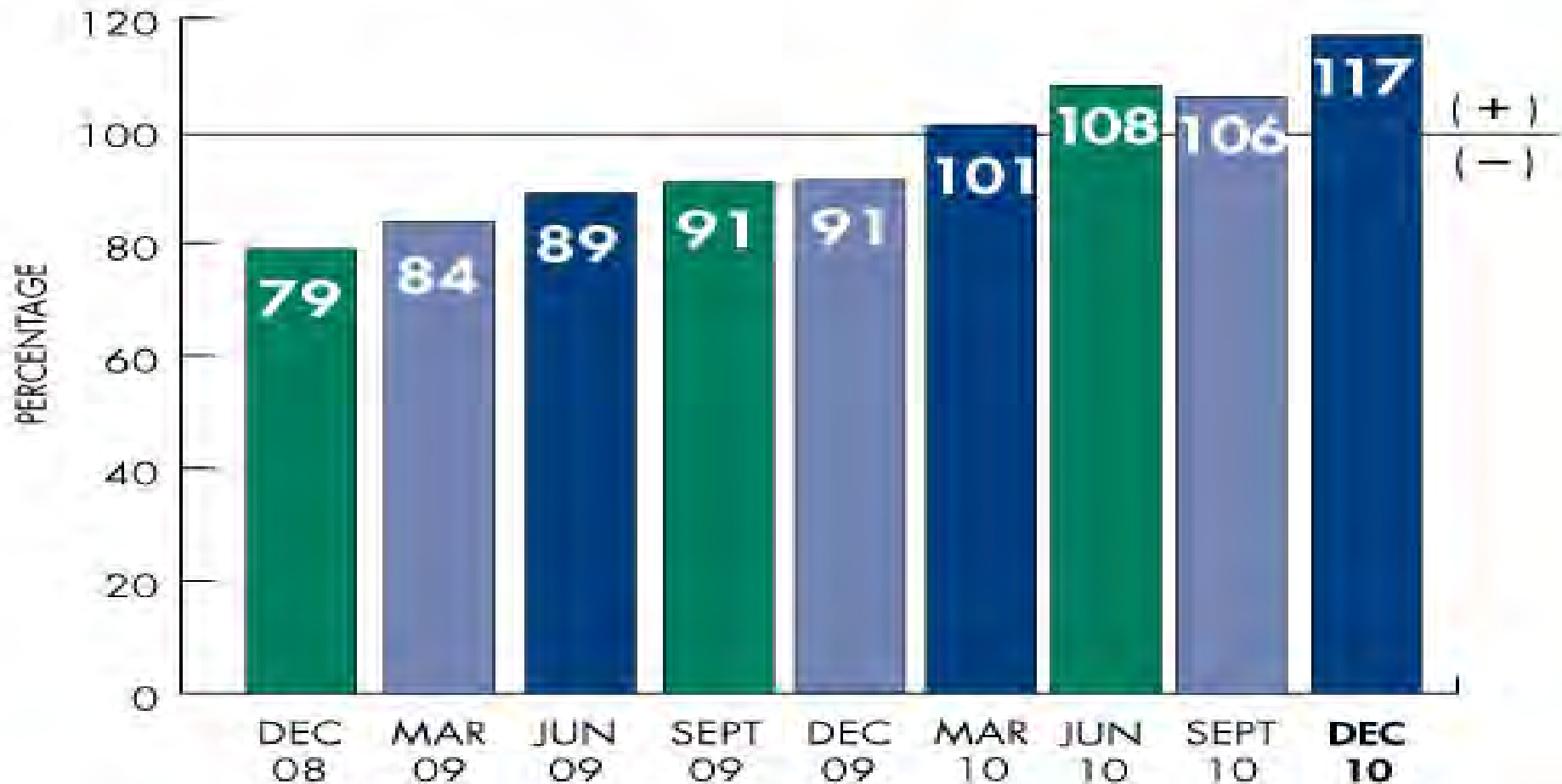
index: 50 = no change from previous period

Inquiries  Billings 

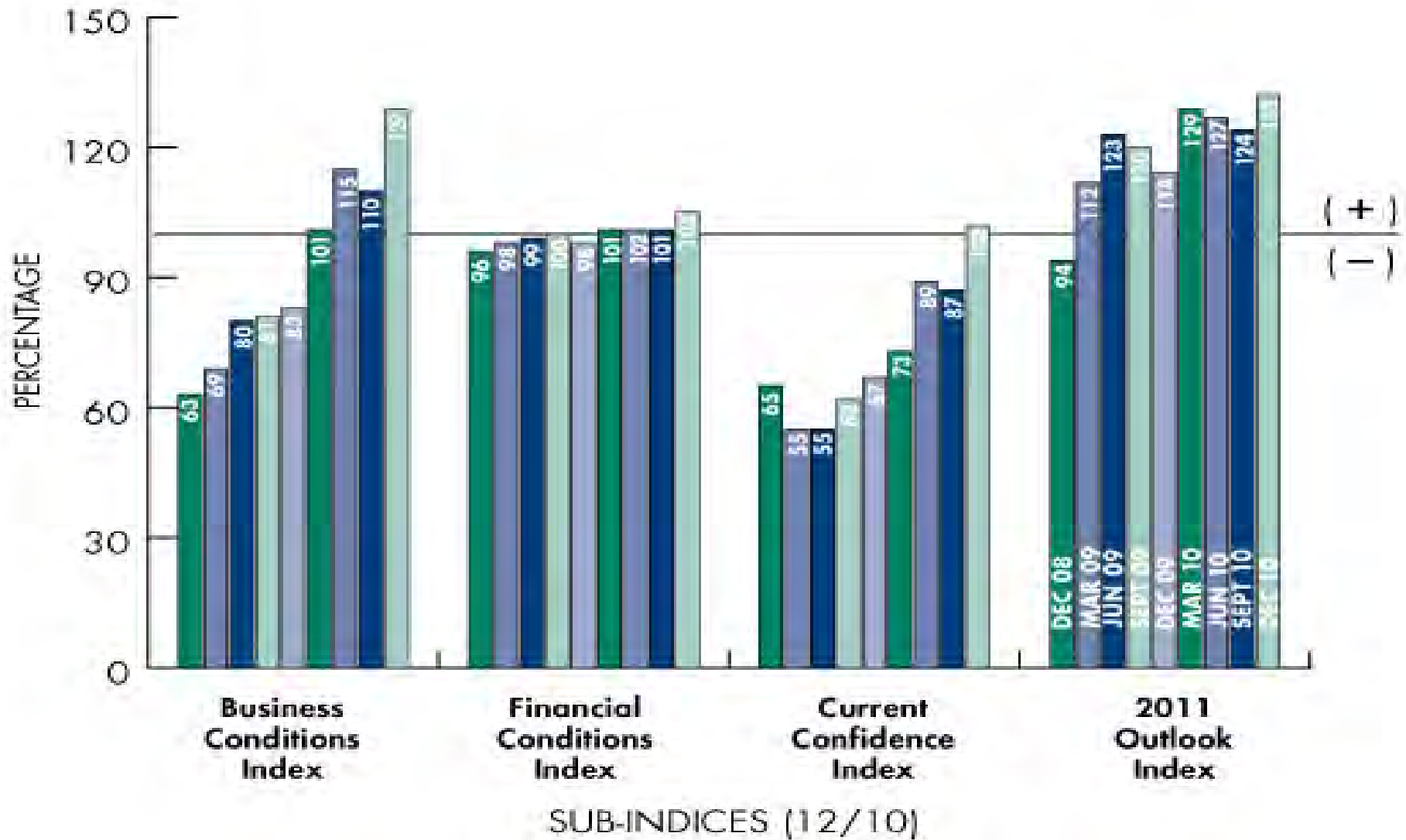


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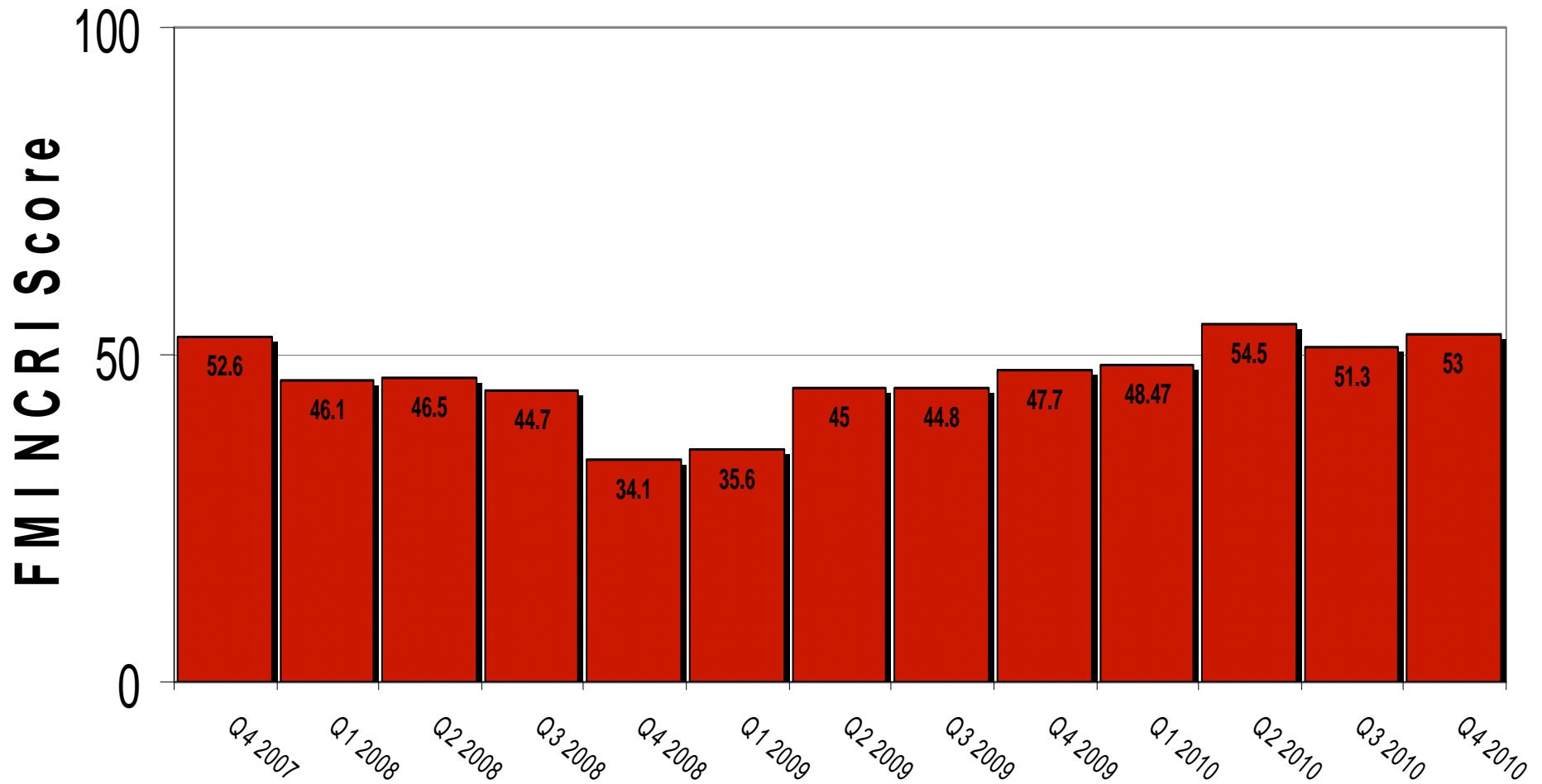
THE CONFINDEX™ NUMBER



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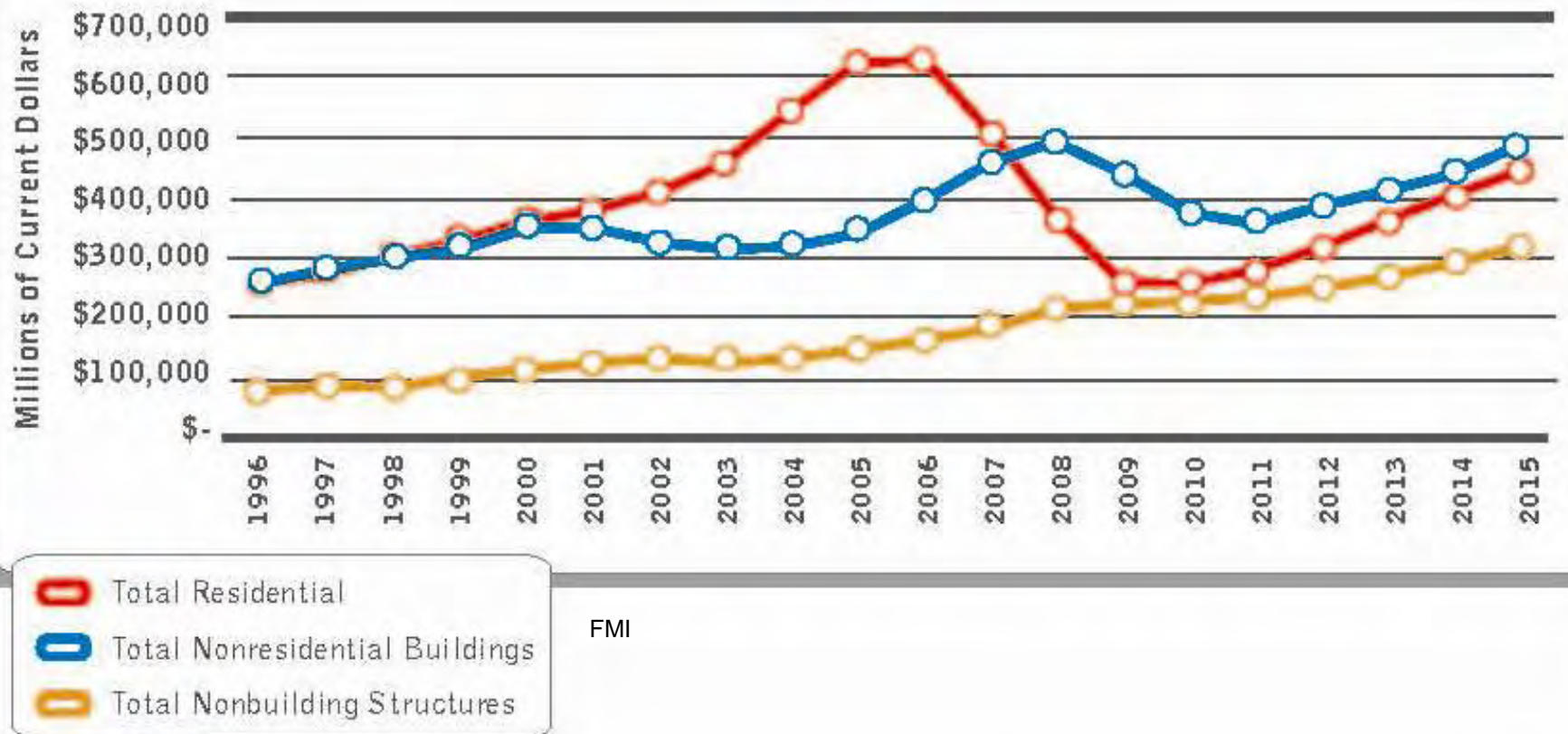


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Construction Put in Place, Estimated for the United States



Indicator	2009	2010	2011*	% Change 2010-2011
Construction Put in Place (millions, seasonally adjusted annual rate) U.S. Census Bureau				
<i>Total Nonresidential</i>				
Lodging	\$25,474	\$11,653	\$10,814	-7.2%
Office	\$52,717	\$36,225	\$34,413	-5.0%
Commercial	\$55,042	\$41,112	\$38,645	-6.0%
Health care	\$45,111	\$40,038	\$40,338	0.7%
Educational	\$102,907	\$87,650	\$85,897	-2.0%
Power	\$89,405	\$79,568	\$83,944	5.5%
Manufacturing	\$58,513	\$39,025	\$34,342	-12.0%
Total All Industries	\$654,207	\$557,867	\$557,242	-0.1%
<i>Private Nonresidential</i>				
Lodging	\$25,350	\$11,051	\$10,256	-7.2%
Office	\$37,904	\$22,858	\$21,716	-5.0%
Commercial	\$51,286	\$38,393	\$36,089	-6.0%
Health care	\$35,651	\$29,843	\$31,000	3.9%
Educational	\$16,800	\$13,275	\$14,500	9.2%
Power	\$77,622	\$66,542	\$71,025	6.7%
Manufacturing	\$57,976	\$38,313	\$33,715	-12.0%
Total All Industries	\$347,759	\$259,214	\$258,716	-0.2%
<i>Public Nonresidential</i>				
Office	\$14,813	\$13,366	\$12,698	-5.0%
Commercial	\$3,756	\$2,719	\$2,556	-6.0%
Health care	\$9,460	\$10,195	\$9,338	-8.4%
Educational	\$86,107	\$74,375	\$71,397	-4.0%
Power	\$11,783	\$13,026	\$12,919	-0.8%
Total All Industries	\$306,448	\$298,653	\$298,526	0.0%
Construction Employment (thousands, not seasonally adjusted) U.S. Department of Labor				
Nonresidential	726.2	676.2	677.2	0.2%
Residential	639.6	579.8	726.9	25.4%
Producer Price Index U.S. Department of Labor				
Inputs to Construction Industries – Index Value	188.6	196.2	203.3	3.6%
Gross Domestic Product (2005 billions of dollars) U.S. Department of Commerce				
Real GDP	12,880.6	13,353.4	13,587.1	1.75%

*= Data predictions by ABC Chief Economist

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Why Focus on Productivity?

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Bonded Construction Work as a Niche

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- **Why pursue a niche?**
 - 1960s - 800,000 Contractors
 - 2010 - 2,700,000 Contractors
 - Adjusted for inflation, the amount of work put-in-place is about the same
 - Both competition and customers are more sophisticated

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- **What is a Niche?**

- Focusing on types of work, customers and locations that reduce your exposure to competition

- Inner-city work
- Rural work
- Special technologies
- Demanding customers, etc

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- **Why a Niche?**
 - Differentiation
 - Reduced competition
 - Expertise improves productivity
 - Sophisticated customers seek value more than price

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- **Why bonded work?**
 - Reduced pool of bidders
 - Bonded contractors are better competition
 - Sharing bonding capacity with a new client shows that your firm
 - Has financial strength
 - Understand your costs
 - Manages risks

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- **Why bonded work?**

During an economic downturn a higher percentage of work tends to be in sectors that normally require a bond

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