

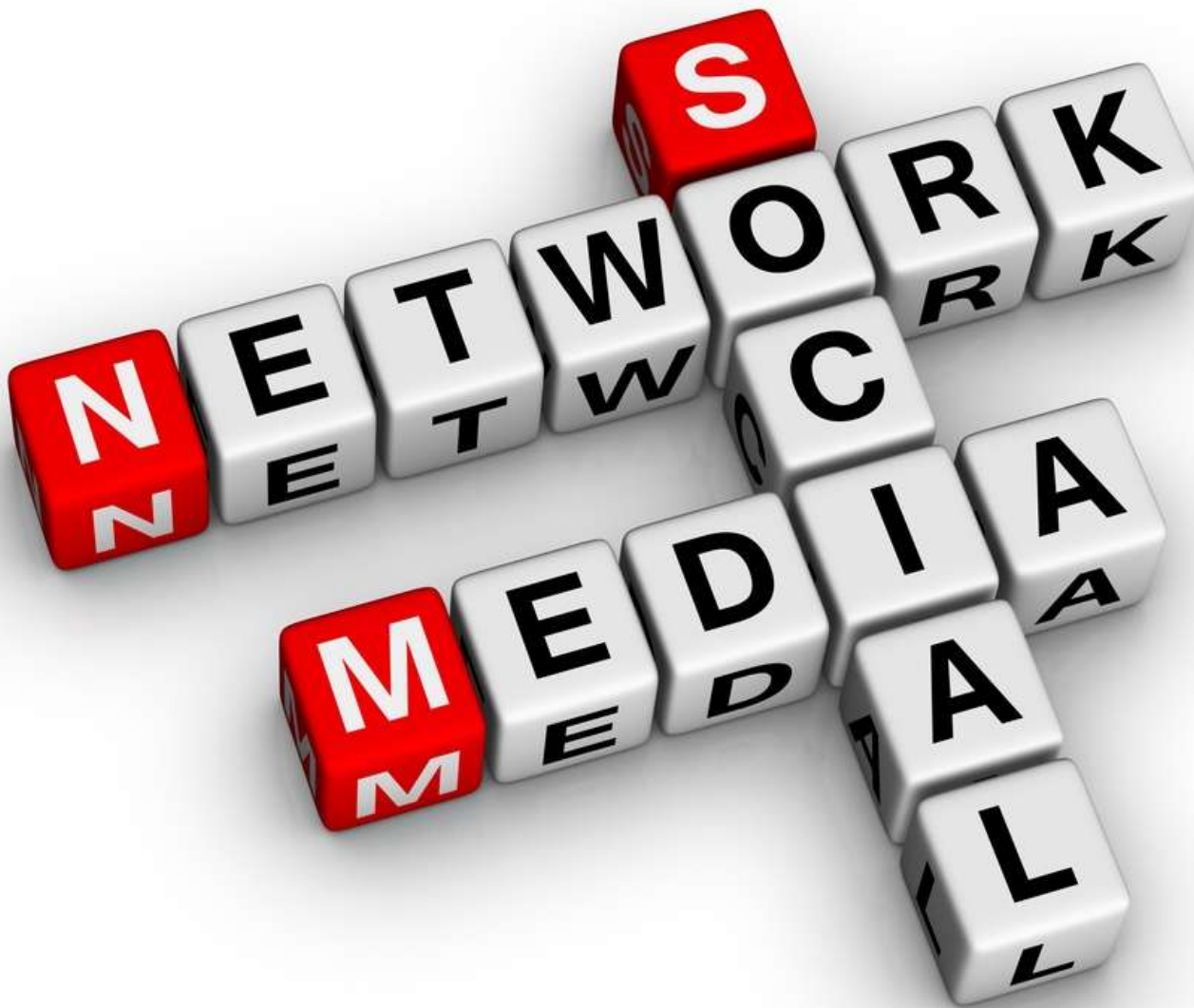


Feeley & Driscoll, P.C.
Certified Public Accountants / Business Consultants

A 3D illustration of several blue, rounded human figures interacting with large, light-colored puzzle pieces. Some figures are standing on the pieces, while others are reaching for them. The background is a white surface with a grid of puzzle pieces, some of which are missing, creating a stepped effect.

Strategic Issues Facing the Construction Industry 2011/2012

September 28, 2011



By: Michael S. Downey

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Overall Social Media Strategy

- Do not ignore – At least start slowly
- Identify 1 individual or the group of individuals that will manage strategy
- All aspects of social media require consistent updates
- Keep in touch with employee activity
 - **Communicate with employees**

Google/ Facebook/ Twitter

- Google/ Google Alerts – At a minimum, receive these for yourself and your own company
 - **Google yourself/ Google your company!**
 - **Evaluate whether to respond to criticism/ attempt to move to later pages**
- Facebook – 750 MILLION active users
 - **Set-up Company page – not a profile, and encourage members to like it**
- Twitter – 200 million users
 - **Set-up a Company page**
 - **Utilize a personal page as well?**
 - **Select the people/ companies you want to follow**

Linked In Basics

- 120 Million registered users – ½ in US
- Profile – Update all relevant sections
 - **Particularly those that will provide useful connections and differentiate yourself**
- Import contacts to start/ establish base
- Utilize **'People you may know'**
 - **Delete those you do not want to connect with for a fresh list**
 - **Do not connect to loose acquaintances**

How to utilize Linked In

- Identify connections at a Company
- Identify connections to a particular individual
- Participate in Groups
 - **For information sharing purposes or marketing purposes**
- Set up a Linked in page for your company
 - **This will group your employees under one company**
 - **Utilize for recruiting?**
 - **Expensive, but targeted**

Customer Focus

- “Ed/ Mike/ Justin – Relationships do not matter – It is all about price”
 - Consistent message the past 2 years
 - May be true in some instances
 - If you accept this as the new reality – pay close attention to Justin’s presentation
- You must compete on price consistently – focus on operational/ cost efficiency

Customer Focus

- Identify 'A' customers – Can you get closer?
- Which customers (or prospective customers) will gain market share in 2012 – How do we get closer?
- Which relationships are taking a disproportionate amount of time to nurture
- Which individuals within the organization are responsible for maintaining/ improving the relationship?

Sales/Business Development Strategy

- “Who in your organization is responsible for sales?”
- If others in the organization are responsible for sales—has it been communicated to them?
- Task driven individuals who excel in engineering may not have innate sales skills
 - That does not mean that they cannot *become* salespeople
 - it means that the transition may take effort

How to generate a sales culture

- Communicate roles and establish buy in
- Start early – relationships and **‘sales mentality’** take time to develop
- Establish goals and business development plan regularly – adjust as necessary
- Measure progress and reward performance
- For those unwilling/ unable to participate – is there another role?

CRM Software

- CRM is a TOOL to ASSIST with the overall marketing strategy:
 - CRM alone is not a strategy
 - The strategy is how your organization will utilize CRM to improve the Company's marketing efforts
- CRM Software will:
 - Track opportunities, status, individual responsible, last correspondences
- CRM Software will not:
 - Manage the process and ensure completion

CRM Software

- CRM Software will:
 - **Track customer information including the individual within the organization responsible**
- CRM Software will not:
 - **Set targets for responsible individuals to market with target relationships or hold them accountable**
- CRM Software will:
 - **Track contacts relating to a specific account or customer**
- CRM Software will not:
 - **Determine how to take advantage of those contacts to improve the sales process**

Operational



By: Justin Amico

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Operational Excellence

“OE Companies Deliver a combination of Quality, Price and ease of Purchase that no one else in the market can Match” (Low Price/Hassle Free)

Common Factors:

- **Lean (Low Price)**
- **Integrated Project Delivery (Hassle Free)**

Lean Construction/Production

- **Low Cost Provider can be a competitive advantage...How do we get there?**
- **Reduce Recoverable Lost Time (Stanford 49.6%/FMI 32%)**
- **More Competitive – Today**
- **Lean--Buzz Word, not a new topic**
- **Meet the customers needs while using less**
- **Toyota :**
 - **Eliminate Waste and anything that does not add value**
 - **Low Waste Production**
 - **Deliver a custom product instantly on order but maintain no immediate inventories**
 - **Replaced a “push” system with Distribution “pull” (JIT/TQM)**
 - **Visible production info available everywhere “Transparency”**

Worked for Toyota, how is this applicable to construction?

- Lean Production goal-optimize performance of the production system against a standard of perfection to meet a unique customer requirement

• Lean for Construction

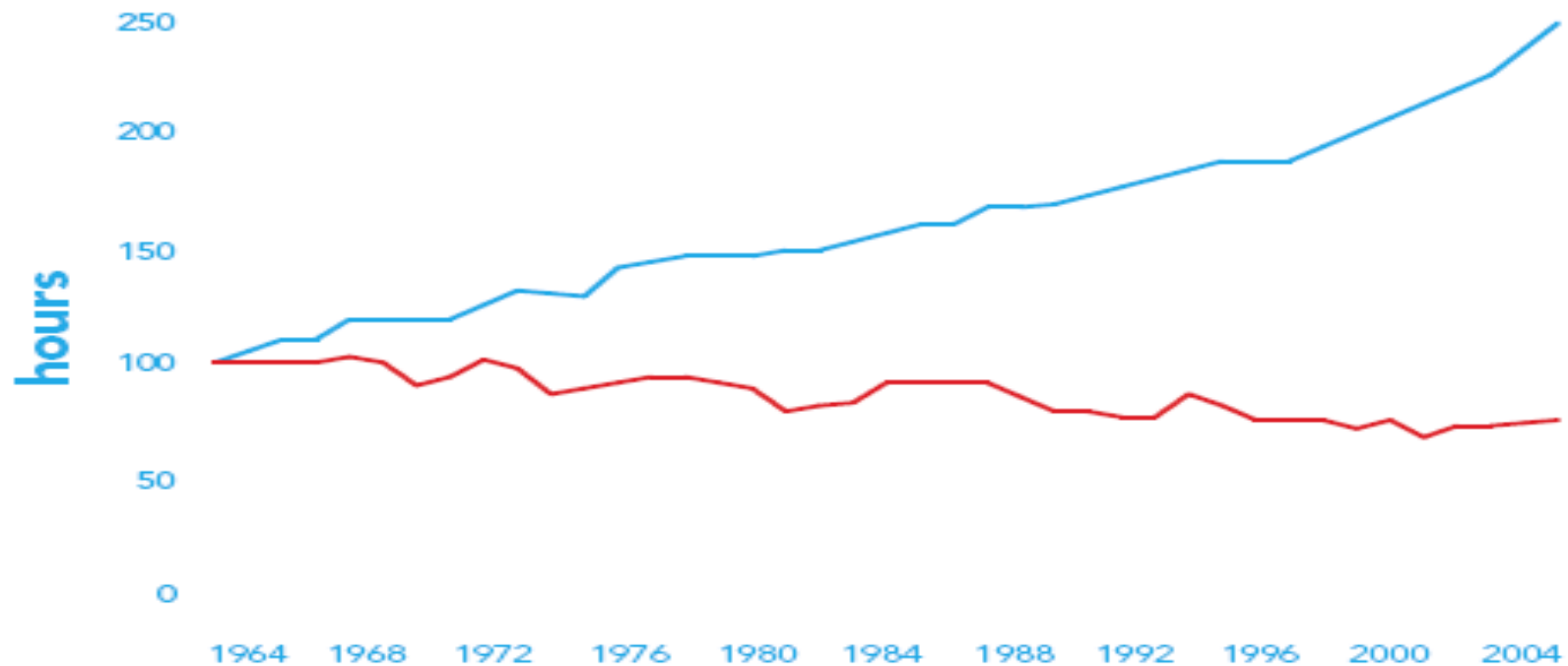
- **Has a clear set of objectives for the delivery process**
 - Planning (Hand Off Meeting/Estimate Review/Kick Off)
- **Is aimed at maximizing performance for the customer at the project level**
 - Add Value
- **Designs concurrently product and process**
 - Break job down into pieces
- **Applies production control through out the life of the project**
 - Monthly PM Meetings/Costs to Complete Meetings etc
 - Measure and Manage

Lean Construction/Production

- **What are the obstacles to Lean?**
 - **Not focused on the underlying “physics of production and the effects/dependencies on supply and assembly chains**
 - **Lack of understanding of supply/chain/production-Should be the first Goal----When was the last time the owner spent a day on a job site???? What did you see and What steps did you take to make change?**
 - **Overreliance on Partnering to solve the problem vs fixing problem(Lean builds reliability)**
 - **Planning not a priority**
 - **Inadequate Measurement systems/Info Overload**

Integrated Project Delivery

productivity growth constant dollars
of contracts/work hours of hourly workers 1964-2004



Nonfarm Productivity Index (1964 = 100)
Construction Productivity Index (1964 = 100)

Source: U.S. Department of Commerce Bureau of Labor Statistics

Lean Construction/Production

- **Construction Productivity has the lowest improvement rate out of any industry**
 - **Contractors are the slowest to implement new Technology**
(Hardware/Software/Remote solutions)
 - **Laws and Regulations**
 - **Lack of commitment to Training**
 - **Inherent reluctance to collaborate**
 - **No outsourcing (off shoring)**
 - **No Manufacturing “assembly line” most done on site-Prefab offsite is an attempt**

- **Best of Class Productivity**
 - Define goal ---Communicate it (Kick Off)
 - MGT Team needs to understand job/complexities
 - Simplified, accurate and timely costing
 - Measure it daily, weekly
 - Accountability
 - Foreman/PM Projections vs Actual---Why
 - Understands Production goals and always looking to improve
 - Bonus Plans (Beat the Hours/\$)

TEAM

- **Collaboration**
- **No Change Order Jobs can be the most profitable jobs for Subcontractors**
- **Subcontractors want GCs to Push**
- **Subcontractors want Feedback**
- **Why does Self Performance create efficiencies?**
- **How can Subs help GCs?**

Integrated Project Delivery

Integrated Project Delivery

IPD, like LPD, defines a new way of being and a new set of relationships in a project. IPD is generally supported by a multi-party relational agreement that supports this new way of being. In the words of Darrington *et al* (2009):

traditional construction projects are comprised of many two-party contracts that create a vertical chain of relationships that flow back to the owner, but do not interconnect project participants across contractual lines. As a result of this contract structure, each participant operates under commercial terms that provide economic incentive for it to maximize its own interests regardless of whether its actions would hurt other project players or benefit the project as a whole. (see Figure 2)

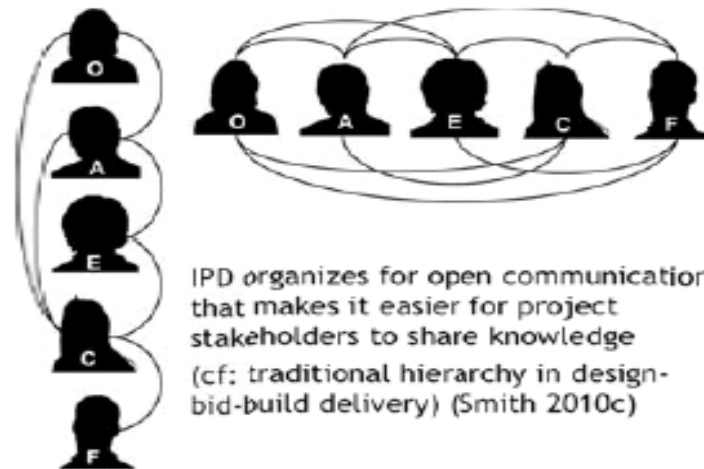


Figure 2: Traditional vertical & IPD flat relationship structure

Integrated Project Delivery

- **AIA developed IPD contracts from product design and deliveries (similar to auto industry) – SPEs(LLC)**
 - **Architects/Contractors/Fabricators to work collectively**
- **Common Denominators from 5 successful case studies**
 - **Early involvement of Key Participants (Chapter 149A-CM at Risk)**
 - **Shared Risk/Reward**
 - **Multi-party Contract**
 - **Collaborative Decision Making and Control**
 - **Liability Waivers among Key Participants**
 - **Jointly developed and validated project goals**

Integrated Project Delivery

The Project Owners found the following:

- Mutual Respect and TRUST among Participants
- Collaborative Innovation
- Intensified Early Planning
- Open Communication within the project team
- BIM used by multiple parties
- Transparent Financials

Integrated Project Delivery

- **“Owners need to decide are they buying a Team or a Product”**
 - GCs have the responsibility to sell TEAM vs. cost
- **Any instances of This in Audience?**

BREAKOUT SESSION



- 1) What are some of the opportunities in your business to increase productivity?**
- 2) What has your organization done to increase customer satisfaction?**
- 3) How have you involved others in the sales process and how do you measure and manage?**



Are All Contractors Alike?

By: Edward J. Callahan

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Dimensions of Customer Value

- **Price**
- **Product Quality**
- **Product Features**
- **Service Reliability**
- **Expert Advice**
- **Support Services**
- **Innovative Solutions**

SOURCE: The Discipline of Market Leaders – Michael Tracey & Fred Wiersema

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Golden Rules

1) Excel in a dimension of customer service

“Passion”

2) Maintain threshold standards on other dimensions of value

“Measurement”

3) Dominate your market by improving year after year

“Innovate”

4) Build and execute an operating model, culture, processes, systems, IT dedicated to delivering unmatched value

“Execute”

Program Overview

- **Introduction – Am I any different than the competition?**
- **Customer Intimacy**
- **Operational Excellence**
- **Innovation**
- **Conclusion – What am I going to do different tomorrow?**

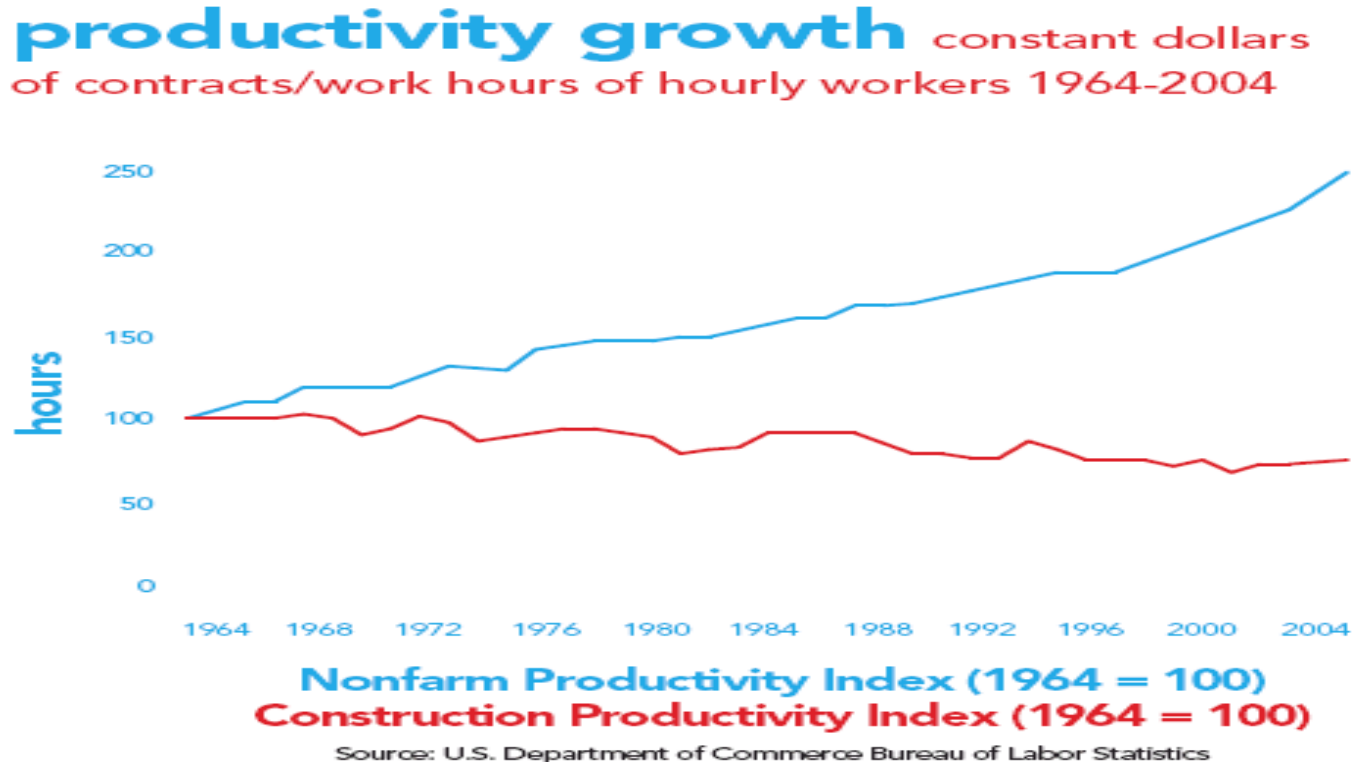
Product/Service Leader “Innovation”

Are you willing to take the risk to Partner with a select TEAM of Construction partners?

(i.e. Designer/Engineer, CM,GC,Sub,Supplier) AND Educate the Customer that a Collaborative open book delivery process is their most efficient Construction solution?

Productivity Growth/Innovation

- Why has Construction productivity decreased while the Nonfarm Productivity Index has increased 150% between 1964 and 2004?



SOURCE: CFMA Building Profits – July/August 2011

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10 Technology Areas to Focus on in 2011

- 1) **Cloud Computing**
- 2) **Advanced Analytics/Business Intelligence**
- 3) **Client Computing**
- 4) **IT for Green**
- 5) **Reshaping the Data Center**
- 6) **Social Computing**
- 7) **Security/Activity Monitoring**
- 8) **Flash Memory**
- 9) **Virtualization**
- 10) **Mobile applications**

Virtual vs. Real Collaboration

- Collaborative Construction means finding secure and effective ways to share information internally and with remote employees and externally among “**Project Partners**” including:
(i.e.. designer/arch./enr./cm/gc/sub/supplier)
- Internal (i.e. . Citrix, Terminal Server, etc.)
- External (i.e.. Drop Box, Microsoft Sharepoint, Document eRoom, etc.)

Hosting Options

- Engage software vendors that support multiple deployment models (i.e. In –house vs. third party hosting (i.e. “**the Cloud**”).

Cloud Computing

- Can the “**Cloud**” help the construction industry solve the following problem ?
- Can independent businesses on different IT platforms agree to a common set of data and IT applications for a Specific Project to create a more cohesive and comprehensive communication environment supporting the design , bidding, estimating ,accounting and project management functions?

Cloud Computing

- The Cloud offers the Construction Industry a web based platform upon which both data and applications can be available to “**Groups**” with a “**Common Interest**”
 - Personal Cloud (personalized data center)
 - Public Cloud (information sharing)
- Address the following critical issues:
 - Incompatibility
 - Backup/Disaster Recovery
 - Security

Building Information Modeling

- “BIM offers a new standard for multi-dimensional data it does not provide a standard method for data sharing”

BIM - Continued

- Benefits:

- 1) better constructability/identification of interferences
- 2) increased productivity/higher efficiency
- 3) reduces costs due to fewer changes/better information sharing
- 4) access models either in the office or on site
- 5) helps identify potential clashes and conflicts
- 6) increased utilization of prefabrication

- Pitfalls:

- 1) Everybody can be working off a different model/interoperability
- 2) Software compatibility problems and training issues
- 3) Managing modeling data

Bio's



Edward J. Callahan, CPA

Director of Construction Services Group

Mr. Callahan is Director of the Construction Services Group at Feeley & Driscoll, P.C. Ed has over 25 years of experience in public accounting, specializing in accounting/tax and business planning issues as they apply to contractors and suppliers. His other areas of expertise include: information management systems (job cost, accounting, and -estimating), operational and financial analysis, workers compensation planning, surety bonding, and banking -assistance. Ed is a Certified Construction Industry Financial Professional (CCIFP). Mr. Callahan holds a BS degree in business administration from the University of Massachusetts (Amherst) and an MS in taxation from Bentley University. In 2005 he received the Accounting Alumni Award from the University of Massachusetts.



Justin Amico, CPA

Director of Construction Services Group

Mr. Amico is a Director at Feeley & Driscoll, P.C. He has over 18 years of experience in public accounting concentrated in the construction industry. Justin provides accounting, tax, pension audit and MIS consulting services to contractors and suppliers. He has focused his expertise in financial and operational analysis and is a Certified Construction Industry Financial Professional (CCIFP). Mr. Amico holds a BS degree in accounting, an MS in Taxation, and an MBA from Bentley University.

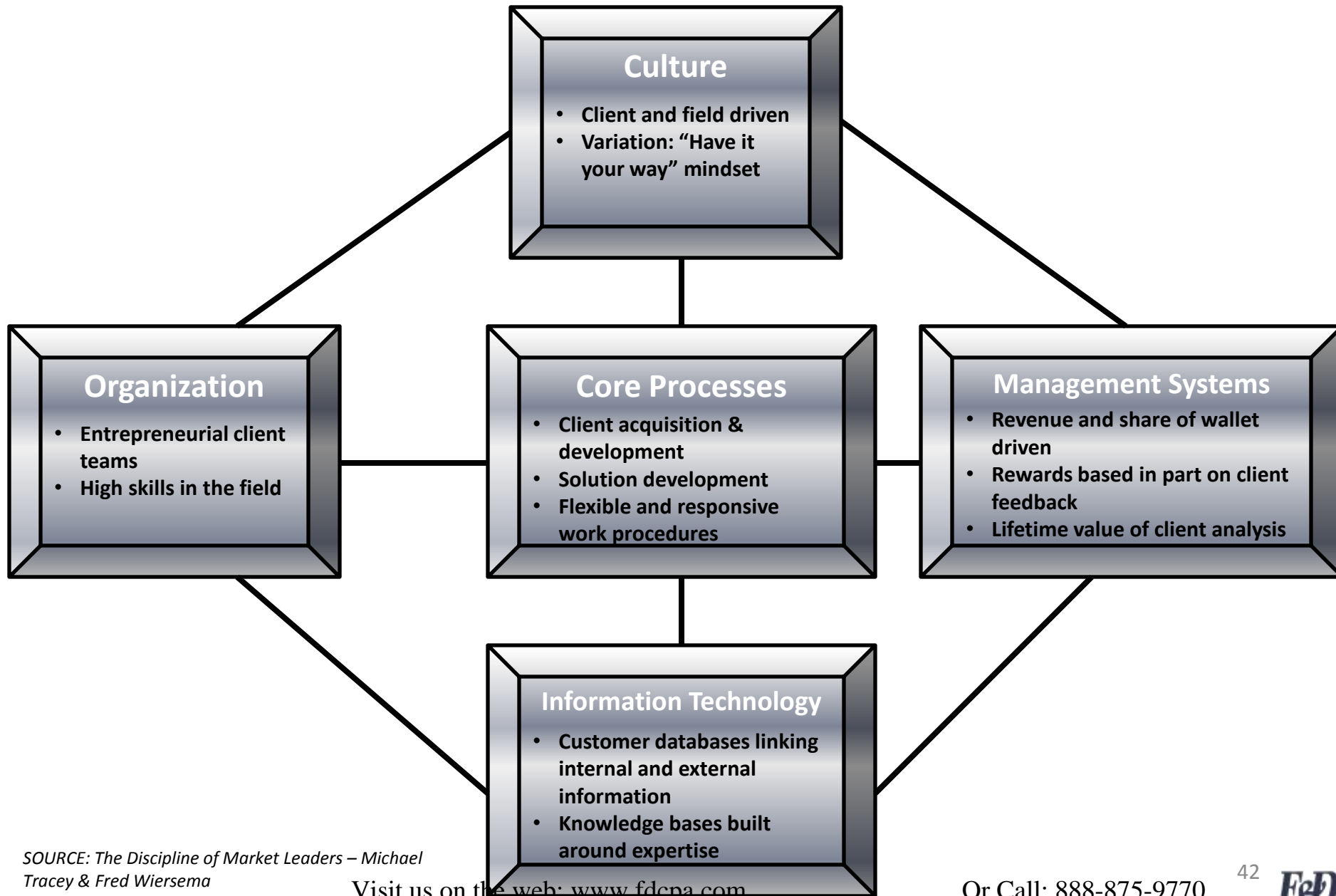


Michael S. Downey, CPA

Director of Construction Services Group

Mr. Downey has more than 12 years of experience in public accounting, the majority of which has been with the construction, manufacturing and distribution, and insurance industries. He has experience providing management for audit engagements, operational analysis for general and subcontractors, strategic planning and business consulting and corporate and individual tax planning. Mr. Downey holds a Bachelor of Science in Accounting from Babson College, and a Master of Business Administration from Babson College. He holds professional memberships with the American Institute of Certified Public Accountants (AICPA) and the Massachusetts Society of Certified Public Accountants (MSCPA).

EXHIBIT I: The Discipline of Customer Intimacy

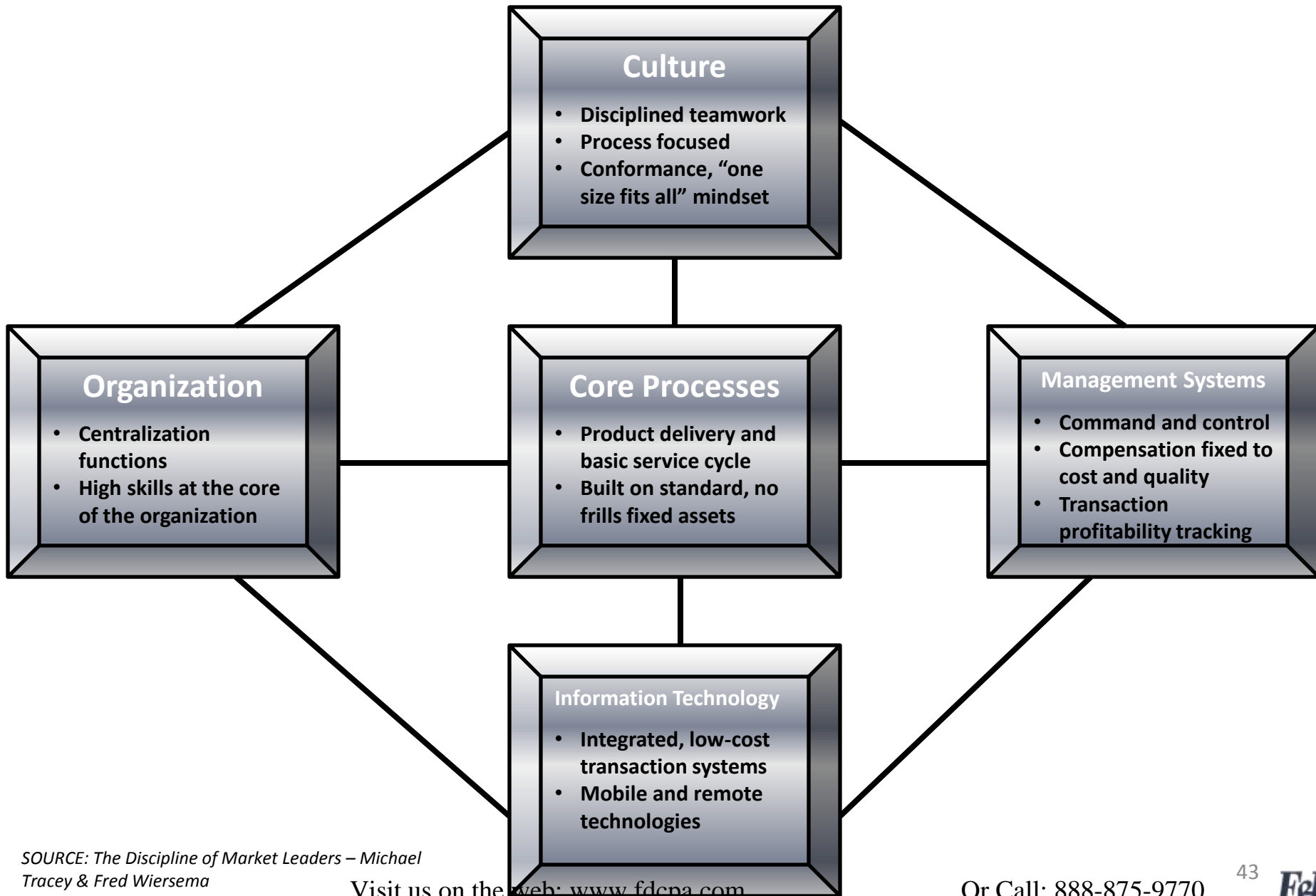


SOURCE: *The Discipline of Market Leaders* – Michael Tracey & Fred Wiersema

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EXHIBIT II: The Discipline of Operational Excellence

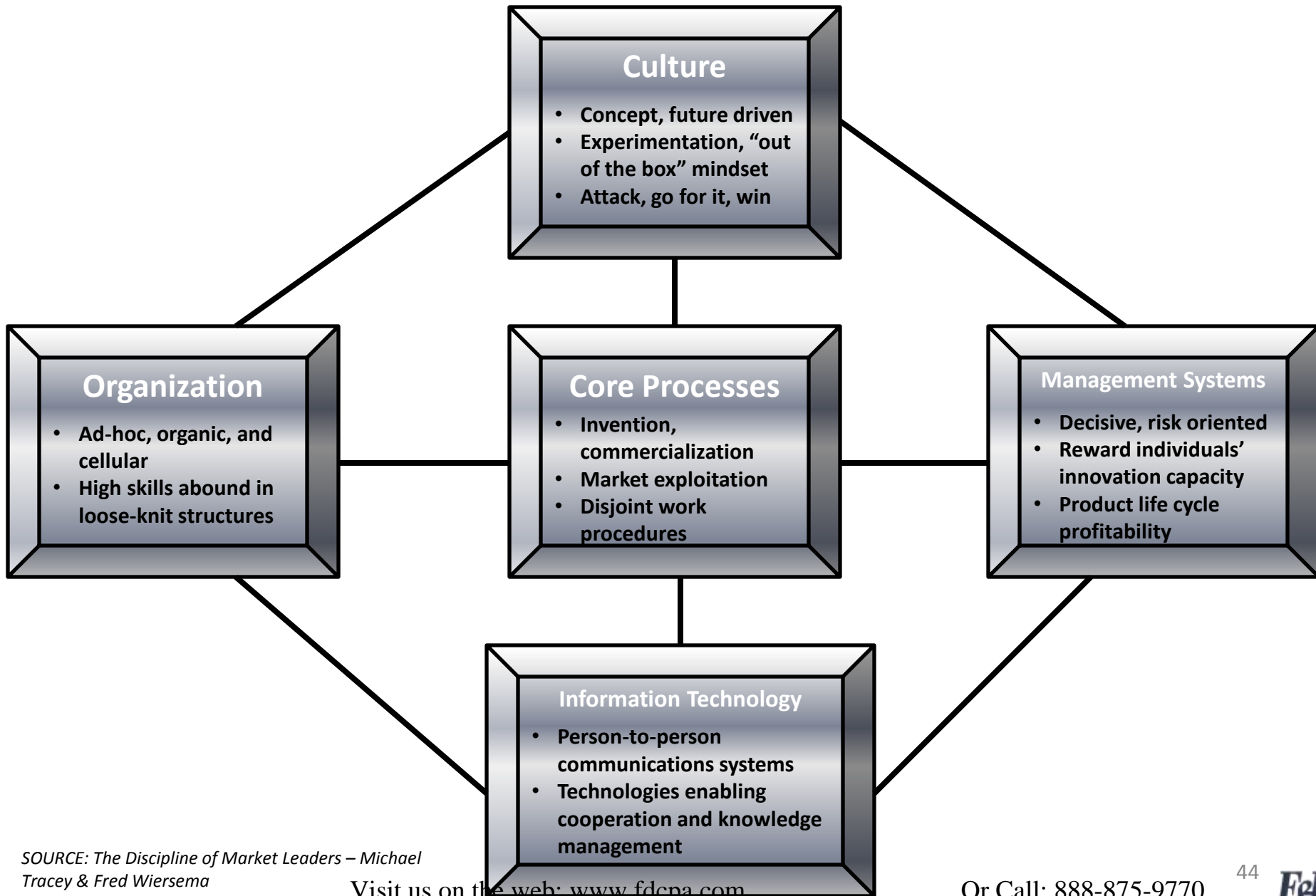


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EXHIBIT III: The Discipline of Product Leadership



SOURCE: *The Discipline of Market Leaders* – Michael Tracey & Fred Wiersema

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