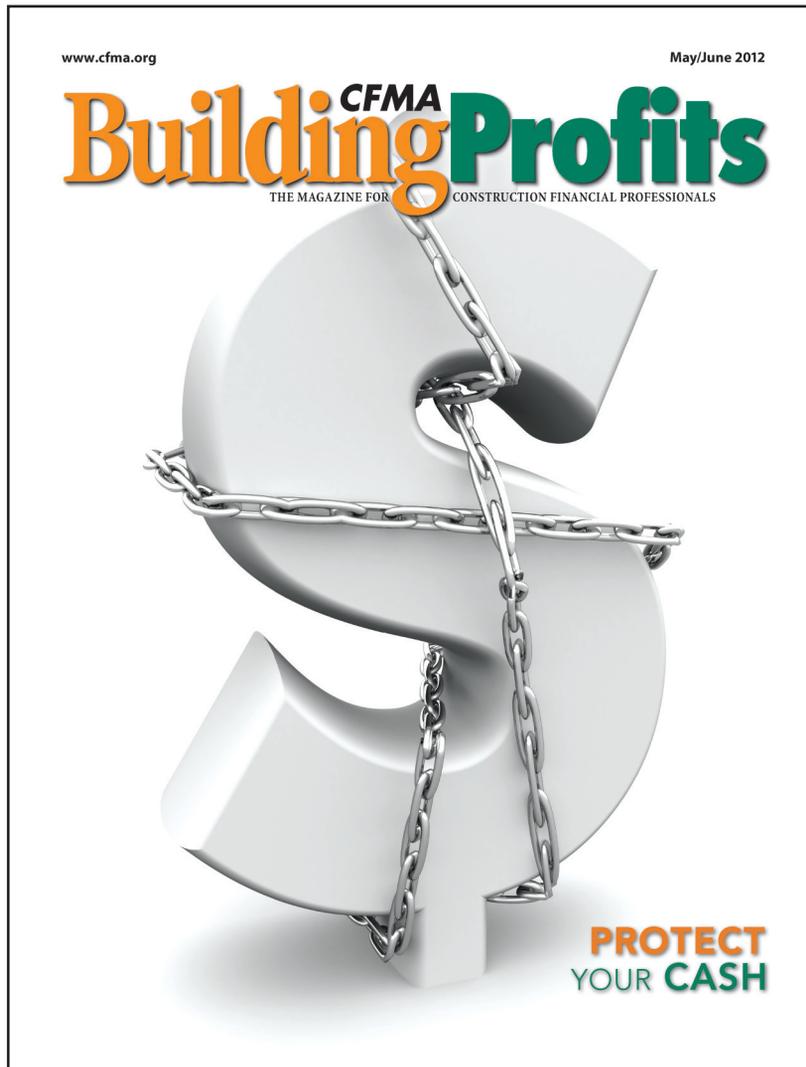


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Journey of

Transformation

The CFO's
Perspective





The journey of transformation is as much of a reward as the destination. Then, once a company crosses the transformation bridge, the goal becomes continuous improvement.

BY RENEE BEAULIEU, SKIP PERLEY, DR. PERRY DANESHGARI & HEATHER MOORE

Prior to Thompson Electric Company's (TE) seven-year journey of transformation, there was a top-down corporate culture that divided TE's employees from its management team.

In 2004, CEO Skip Perley realized that if major changes didn't take place, TE would be sitting on the sidelines while other contractors won jobs and its top performers looked for employment elsewhere.

Under Perley's leadership, TE pledged to make a fundamental change in the way workers thought about their jobs. He emphasized the importance of *recognizing that transformation was needed*, communicated this to employees, and provided them with educational opportunities to help them understand that there is a better, more productive way to work.

Since then, this midsize electrical contractor transformed itself into a vibrant business that strives to be an employer of choice. In order for TE to begin the transformation process, it had to:

- Recognize the need to transform and initiate the process.
- Always put the customer first.
- Involve all levels of employees in the process to improve all aspects of the company.
- Preplan and hold meetings between field workers and foremen as projects progress.
- Build trust between the field and the office.
- Be transparent and keep lines of communication open between PMs and supervisors.
- Give employees the best software and tools to take the business forward.

TE's Transformation Journey

The most exciting part of this voyage has been that TE's financial team was a key leader in this venture. This group connected the field labor and operations with the financial end of the company.

Thanks to the intense involvement of CFO Renee Beaulieu, the productivity gained from the transformation quickly improved TE's cash flow and gross margins and also eliminated its underbillings. The dashboards of financial performance, along with operational indicators, became the guideposts for measuring TE's transformation progress.

This article will walk through the transformation, including an overview of the transformation structure and details of the steps, hurdles, and solutions that Beaulieu experienced throughout the process.

STRUCTURE & SETUP

In July of 2005, TE's executive members, including Beaulieu, met to draw a road map for the transformation.¹ Over a two-day session, the group set out to:

- Learn more about TE's processes.
- Determine its current level of productivity.
- Learn how to become better leaders.
- Be willing to work as a group to implement change.

This Steering Committee (SC) explored the current state of TE and performed a financial assessment of each branch. Everyone explained what he or she could contribute to shift TE's paradigms, which included:



- Invest in a project management school.
- Adopt a zero-tolerance policy for safety violations.
- Focus on procurement.
- Change the “only me” attitude to emphasize a customer-first mentality.
- Take time to go beyond what’s been done in the past.
- Select long-term improvements.
- Develop a way to feed back information from the job to estimation, accounting, etc.
- Capture knowledge that exists within the company.

The SC also identified some specific areas for improvement:

- Develop a project management process.
- Get foremen more involved in tracking job progress.
- Evaluate the ability of the current system to generate Job Productivity Assurance and Control (JPAC®).²
- Build better lines of communication between office personnel and field foremen.

Realizing that TE could not stop operations during this transformation, the SC decided to use Strategic Breakthrough Process Improvement (SBPI™).³

Strategic Breakthrough Process Improvement

SBPI™ enables a contractor to apply the principles of transformation in manageable sections without losing sight of the overall transformation. There are four phases of SBPI™ implementation:

- 1) Identify
- 2) Characterize
- 3) Optimize
- 4) Utilize

As shown in Exhibit 1 below, each phase supports two major deliverable activities, which provides a structure for identifying the opportunities for improvement and then characterizing those issues for optimization within the system.



Exhibit 1: Strategic Breakthrough Process Improvement

	IDENTIFY		CHARACTERIZE		OPTIMIZE		UTILIZE	
Initiative Startup	» Recognize	» Define	» Measure	» Synthesize	» Improve	» Manage	» Standardize	» Integrate
	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5	STEP 6	STEP 7	STEP 8
Steering committee	Process maps	Overall opportunity selection	Measurement methods	Study/analyze data	Review success of the pilot	ERP/ dashboard	Test across organization	Fully incorporate into regular operations
Implementation team *Office *Field *Project Management	Prioritized list of issues	PDSA selection	Perform tests	PDSA reports	Authorization to proceed	Quality circles	Risks identified	
Select the team members	Select top issues	Plan tests	Collect data	Accept/reject	Expanded pilots as required	Project plans	Risk management plan	
Bring team together	Plan for gathering data on selected issues		Issue resolution process	Concept selection			Replication plans	
Brainstorm issues				Pilot selection				

Exhibit 2: Office Operations Team Charter

General Description:

The Office Operations team will address all aspects of internal company operations that support the field operations. Such areas as HR, employee training, project tracking, material procurement and purchasing, and information management are just a few of the functions that the team will investigate for potential improvement.



Expected Results:

- Map the pertinent processes of HR management, accounting, training, purchasing, and procurement as they exist today at each location
- Identify the potential activities that could be improved and standardized
- Suggest improvements and test on a small scale
- Confirm that improvements will have the following characteristics:
 - Improve the process by more than 30% (capacity of the company's overhead)
 - Support the improvement of GP by more than 5%
 - Consistent throughout the organization
 - Sustainable, not dependent on specific individuals

Significant movement toward accomplishing these objectives should be made by December 30, 2005.

Learning tools, as well as operational measurement and process control tools, allow contractors to build a learning organization that will enable continuous study and improvement through designed processes and control points. This will ultimately allow standardized processes and improvement strategies to be used throughout the organization.

CROSS-FUNCTIONAL TEAMS

Cross-functional teams drive SBPI™ and are responsible for the design and implementation of the transformation. TE identified three specific cross-functional teams:

- Office Operations
- Field Operations
- Project Management

As head of the Office Operations team, Beaulieu was tasked to integrate the project management and field teams' input into measurable and tractable outcome dashboards by:

- 1) Time – Schedules and planning
- 2) Cost – Cash flow and profits
- 3) Quality – Productivity and safety

Beaulieu began by creating a Team Charter, as shown above. First, TE's Office Operations team developed better tools for job planning and documentation. Then, it assessed the information needed to manage work and proper job closeout.

Organize & Disseminate Information

All along this path, the Office Operations team had to organize and filter all of the information it possessed to help the other teams do their jobs more effectively and efficiently. This information included:

- Job productivity tracking in the field compared to completion status as tracked in the accounting software;
- Trends in backlog;
- A/R aging and collection issues;
- Cash flow trending on jobs; and
- Actual labor cost per man hour vs. burdened labor cost per hour.

Education

The need for education at all levels of the company became a top priority, so the Office Operations team developed "TE University" as a solution and educational resource. The Office Operations team used input from each area of the organization to develop a course catalog that included a syllabus for each class. These topics are now being developed into actual classes, some taught in-house and others outsourced.

Education paths were developed and provide employees personal and professional development goals to work toward. TE University topics include:

- Communication
- Customer service
- Estimation and project management
- Financial management
- Foreman training
- HR
- Job productivity tracking for the field and office
- Leadership
- Safety topics
- Specific software and hardware training
- Time management

TE University has since become the responsibility of the office staff.

Financial Performance

As time progressed, the desire for more information developed into providing data to many levels of TE. Financial strength was measured and shared, and financial dashboards were developed to provide snapshots and trends of several key aspects of the business. As a result, teams have made more informed changes that has led to better cash flow, improved profit margins, and a stronger financial position.

Leadership Insights from Skip Perley

"This has been and continues to be a fascinating journey. I know we made several mistakes along the way, and sometimes it is easy to question if it is worth the effort. When I begin to doubt, I look at the success we have had over the past five years.

"We have spent more money in training, safety, and development of key employees than we ever have and continued to have a great bottom line during some very difficult times in the construction industry. We flourished while many of our peers floundered or went out of business.

"I truly believe that we can be more competitive and profitable because of the things we have learned. That alone is worth the effort. If we can collectively bring these kinds of methods to a whole construction team, then we can then add drastic improvement to an industry. There are better ways to build buildings, and as construction companies, we must take the lead."



One area that has seen measurable improvement over several years is actual hours spent on a job vs. the original estimated man hours, which alone has brought real dollars to TE's bottom line.

Communication

This transformation process shed light on the need for communication at – and between – all levels of TE on such aspects as financial status, job obstacles, scheduling, performance expectations, and documentation needs.

For example, job performance and scheduling expectations are set and shared with key members involved in the job. And, performance trends are shared with all team members as the job progresses. In addition, job obstacles are communicated on a more regular basis with the management team, which allows all members of the team to work at providing timely solutions.

Project cash flow and financial performance are shared with team members throughout the job. This allows those accountable for the outcome to stay informed, providing them more control of the finished product.

As documentation needs arise, they are communicated and necessary information is provided to make job management decisions. Team members now have a better understanding of the information that is available to help them perform successfully.

To further integrate the work of the teams and enhance communication, a traveling foremen and project management team was formed. This group meets quarterly at different branch locations, visits one of the hosting branch's jobsites, and then holds breakout educational sessions.

Most importantly, the entire group has a cross-talk session where members share concerns and best practices. This traveling group has proven to be a valuable piece of the process.

Lessons Learned

Throughout the transformation process, each employee was passionate about his or her position and day-to-day work. In addition, TE leaders:

- Shared information and increased visibility of the work. All levels of TE's leadership and management have begun to share best practices, as well as what has not been successful. The key players have learned that this can benefit the entire organization, as well as themselves.



- Focused on constantly improving the process.
- Provided a detailed thought process in getting every job done efficiently.
- Became interested in improving the industry as well as themselves.

Conclusion

For a group of “number crunchers,” TE’s financial team was definitely in uncharted territory throughout this transformation process. Most often, accountants are looked to for an accounting of history only. However, this process put Beaulieu’s team on the front line – planning, developing, and then measuring.

TE’s transformation has allowed it to compete in the larger market while maintaining its relationships with longtime customers. This process not only revealed many areas that needed improvement, but also pointed out many of the positive things happening in the company.

While this project will never be considered complete, TE has made a giant step toward becoming an organization that realizes the necessity to be adaptable to the constant changes in the industry. It is now prepared to be proactive rather than reactive to the ever-changing construction landscape. ■

Endnotes:

1. TE’s transformation process was performed with the help of MCA, Inc.
2. Daneshgari, Dr. Perry. *Agile Construction for the Electrical Contractor*. Jones & Bartlett Publishers, 2009.
3. SBPT™ transformation platform was designed by MCA, Inc.

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Skip has more than 35 years’ experience in the electrical industry, joining TE in 1976. He has had field

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