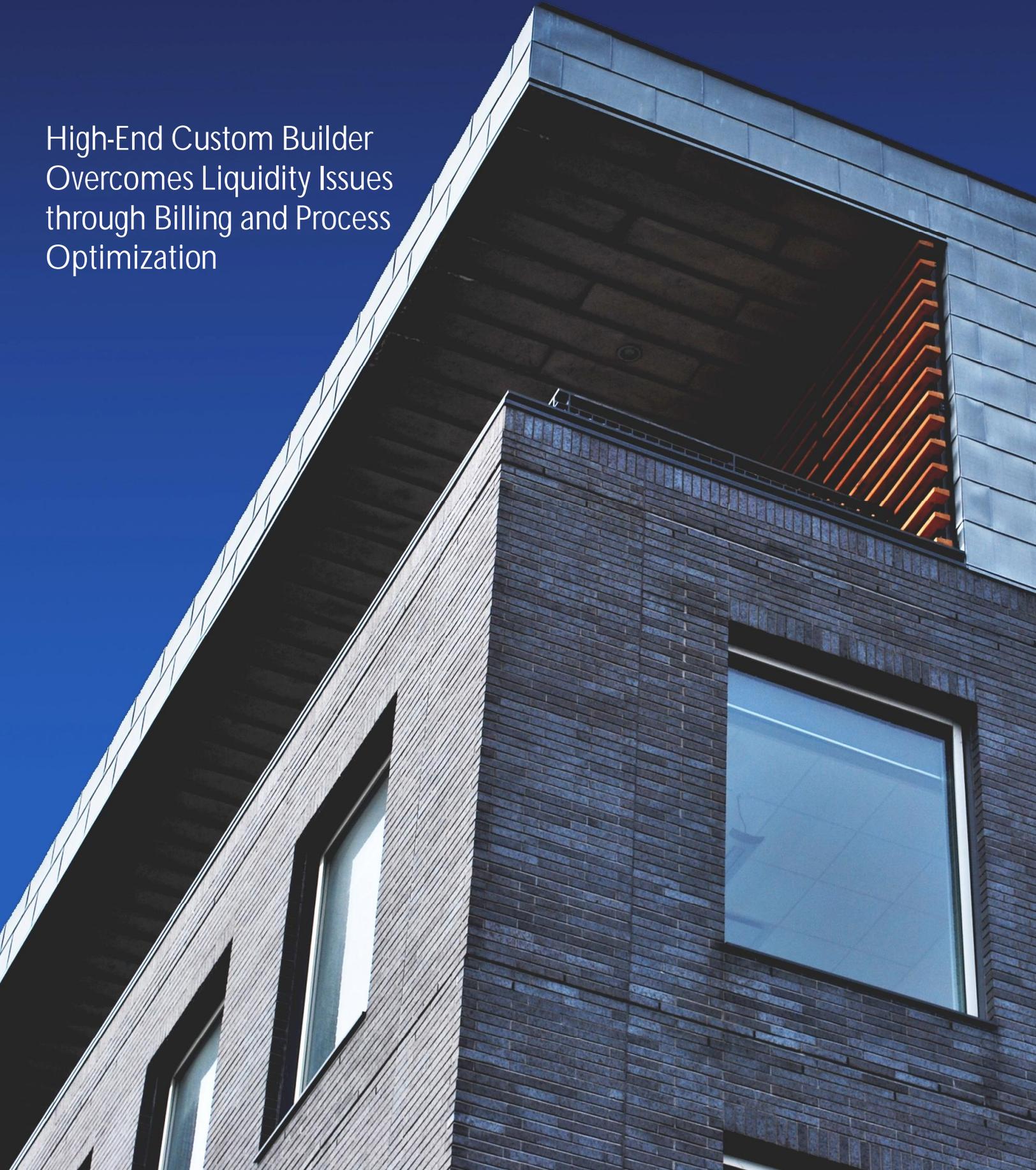


COLTIVAR

STRATEGY | ANALYTICS | FINANCE

Strategic-Powered Growth

High-End Custom Builder  
Overcomes Liquidity Issues  
through Billing and Process  
Optimization



## Client Profile

Our client is a custom home builder operating out of the Northeastern United States. The firm, founded in 1993, has established a strong reputation among elite clientele for its high-end, custom residential building. Though over time the company has expanded to 25 employees and \$18 million in annual revenue, it seeks to maintain its exclusivity, bidding only on first-class projects that enable the company to demonstrate its creative allure and unparalleled attention to detail.

## Opportunity

The firm's talents and abilities in design and execution were strong, however, managerial mishaps were causing severe liquidity issues.

The firm's slow billing cycle and lax customer credit terms resulted in a 185% increase in accounts receivable. The impact of the ineffective billing processes and collection policies were minimal at first, but as working capital requirements continued to increase, the company began to struggle with low, single-digit net profit and shrinking cash flow. The jobs were profitable, but the company was unable to recover fees fast enough to offset increasing SG&A costs.

In addition to an ineffective billing process, the company rarely earned projected contract margin. In addition to general mistakes, the following issues were plaguing the bottom line:

- Rework was resulting from subcontractors relying on outdated plan sets and missed ASIs
- Outdated budgets failed to reflect project updates, causing owner discrepancies and unnecessary write-offs
- Slow processing time and ineffective communication induced unapproved change orders

The culmination of these blunders resulted in significant fee erosion, as high as 6.2% on certain projects.

Liquidity issues were putting a strain on long-standing supplier relationships. The company's credit accounts were suspended requiring cash on delivery.

The threat of insolvency motivated the firm to hire Coltivar Group to spark a positive transformation.

## Solution

Coltivar Group conducted a comprehensive company analysis to understand the cash flow struggles. After comprehending the breaks in the system, Coltivar combined with the team in a one-week intensive session to conceive solutions to alleviate the costly mistakes.

The first step was to adjust the billing cycle. The firm transitioned to bi-weekly invoicing and implemented stricter guidelines for customer payments. They offered minor incentives for customers who permitted electronic fund transfer.

Next, the company strengthened supplier relationships and negotiated payment terms with trade vendors to reduce working capital constraints.

To strengthen processes and increase ease of communication, Coltivar assisted with the company-wide adoption of a cloud-based project management software. The platform enabled a digitized plan room and real-time budget updates to ensure that subcontractors were working off of the most recent plans and budget changes were communicated quickly and concisely to the owner.

The software system allowed project managers to have access to the financials and schedules to better manage RFI's and change documents to guarantee the project would be delivered on-time and on-budget.

The team measured progress in bi-weekly accountability meetings where they monitored a KPI dashboard for cash flow and operational improvement.

## Results

Within 60 days of initiating the engagement with Coltivar, the firm increased cash flow by 67%. AR turnover decreased from 52 days to 17 days, relieving payment pressure.

The company was able to pay vendors and subcontractors on-time so it could utilize discounts and eventually negotiate improved pricing.

The implementation of new policies and software led to an 84% decline in fee erosion.

Through engaging with Coltivar, the company has achieved financial stability so it can focus on delivering quality work to its customers.

## About Coltivar

We are management consultants who help our clients leverage strategy, finance, and innovation to sustain a competitive advantage. We apply our expertise in strategy to help forward-looking companies capture profitable growth. By identifying strong processes, we enable organizations to employ repeatable steps to create value. We believe that a great business strengthens the people within it and the community where it operates.

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