

J.R. Huston Enterprises, Inc.

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[CT] Chapter 40

[CT] The Bid Board and the Monthly Audit Data Report

[OH] **PURPOSE:** To explain various methods for monitoring sales performance

[OH] **INTRODUCTION**

Annual budgets establish your sales goals for the year. It's necessary, however, to *monitor* your "budget-to-actual" sales performance during the course of the year. We do so using a combination of tools that help us monitor the big picture.

The information displayed in the items that we will discuss in this section is very powerful. You and your staff should be very careful as to who has access to it both inside and outside of the company.

[A] **SALES CATEGORIES**

Sales should be broken down into three categories:

- Contracts signed
- Work installed and billed
- Work installed but not billed

[A] **TOOLS FOR MONITORING YOUR SALES**

[B] 1. The **BID BOARD**

[C] A. Purpose

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The Bid Board (see Figure 40.1) displays and tracks much of the process of bringing business into the company. It helps you gain more control over, and *accelerate* the bidding process. In turn, the bid board will motivate your people by providing effective feedback and vital, continuous information.

******(Figure 40.1.The Bid Board)******

Without a doubt, it can be your most powerful tool. You'll obtain a grasp on what I call the "faucet," or the handle, that controls your company. Once you firmly grasp the handle, you can then turn it on or off in order to control the flow. Unfortunately, most contractors never find the handle.

The Bid Board is designed to *focus* your attention at crucial pressure points in the process of obtaining new work (jobs). It helps you quantify and measure the dynamic involved in this process, and it establishes goals relating to the sales process. Your management attention (or energy) can then be focused where it needs to be, when it needs to be.

******* How it works – start*******

I created the Bid Board while working with a company in the Northwest. Two brothers were taking over a family business and their sales needed to increase from about \$600,000 to over \$1 million. Due to all of the things that were going on, I sensed that the two brothers needed some help keeping their focus on achieving their sales goal for the year.

They had a 3' x 4' dry-ink erasable, white board in their office that they were not using. I got busy and came up with the Bid Board. We placed it in a strategic position within the company where all the key staff could not help but see it. It was so effective that within five months this company blew right through their sales goal.

******* How it works – end*******

[C] B. Construction of the Bid Board

Start with a 3' x 4' dry-ink erasable, white board (available at an office supply store).

Use a black dry-ink marker to fill in most of the board. Use red sparingly. If you clutter it up with other colors, it will lose its effect.

Entries are made in neat, one-inch high, block-style lettering.

Filling in the Bid Board

(1). Potential New Business

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Enter in column (1) the names and telephone numbers of all possible leads, contacts, where you might obtain sets of plans for bidding, etc. List in this column:

- Developers
- Owners
- General Contractors
- Landscape architects
- Homeowners' Associations
- Property managers
- Government Agencies (city, state, federal, DOD, DOT, etc.)
- *Dodge Reports*, green sheets, plans rooms
- New projects coming up
- Geographical areas/markets to tap into, etc.

If it might lead to more work, it goes here.

The information is right there and at eye level. You know immediately where to look to get new ideas to find new work, because the information's right in your face.

If an item is really *hot* and you want to pursue it aggressively, get out a red marker and put an asterisk (*) beside it. Mark only five or six items with red, or the effectiveness will be greatly diminished.

Rarely will you ever erase an item from column (1).

(2). Projects in Office to be Bid/Designed

Column (2) is for sets of plans already in the office and ready for bidding, and for plans that need to be designed and then bid (usually residential ones). Enter the project or client's name here.

Strive to keep 5-10 projects in this column at all times. If you need more work, increase this number to 12-15 (if possible).

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The important thing is that you begin to see the natural flow of how to bring business into your company, and that you can often turn it on or off by taking some well-defined course of action.

Once you've designed and bid the project, erase it from column (2) and put it in column (3).

(3). Bids/Designs Completed and Awaiting Award

Column (3) lists all projects for which you've submitted bids which have yet to be awarded. Include the project name, the dollar amount, and any remarks (dates, names, telephone numbers) that you feel necessary.

(4). Keep a running total of bids pending on the TOTAL line.

I like to keep as many projects as possible in this column at all times. You might want to put these projects on a computer spreadsheet and tape it to this section of the Bid Board. I actually tape the Bid Status Report (see Figure 40.2) here and update it continually.

(5). GOAL

The GOAL identifies the dollar amount of bids that should be pending at any one time. This figure may be what you "feel" is necessary to keep enough work coming into the business, or it may be a more precise calculation.

For instance, if your sales goal is \$500,000 for the year, and if you get roughly one out of 10 jobs you bid (10% or .10), divide \$500,000 by .10 and the result is \$5,000,000. In other words, you need to bid about \$5,000,000 of work that year in order to get your \$500,000.

My residential clients get 50-80 percent of everything they bid. They'd then need to bid \$625,000 to \$1,000,000 in order to get their \$500,000 for the year.

Determine the turnaround time (TAT). Guesstimate how long it takes from the time you turn in a bid until you find out if you have the job. This may be one week for residential work, and up to four or five months, or longer, for commercial work.

Divide the goal for the year by the number of TAT periods in a year.

Using a TAT of one month, there are 12 TAT periods in a year. When we divide \$5,000,000 by 12, we get \$416,667. We need to have \$416,667 worth of bids pending at any one time to meet our sales goal for the year.

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If our TAT is two weeks, we'd divide \$5,000,000 by 26 TAT periods in one year. The result would be that we need \$192,308 worth of bids pending at any one time.

a. Seasonal Work

The above example assumes your work is spread evenly throughout the year, which is hardly ever the case. This is how you'd handle seasonal business:

Determine the SALES GOAL and then the amount you need to bid.

Establish monthly sales and amount-pending goals for the upcoming season, starting with the month of September of the present season.

b. Target specific goals by certain dates.

Initially, you won't necessarily know how much to shoot for, but it's not important. Just bid as much as you can, track it, and get a feel for how much work you have to bid in September in order to get a certain backlog by March 1st of the following year.

Strive to meet or exceed your goal. Adjust it as you acquire a feel for the process.

After you monitor this dynamic for 6-12 months, these numbers will make a lot more sense to you, and you'll begin to wonder why you didn't track them sooner.

(6). DIFFERENCE

Subtract the PENDING TOTAL from the GOAL.

If you're below your goal, enter this sum on the DIFFERENCE line in *red* on the board. We want that red number to reach out and slap you in the face, to motivate you to get more work.

(7). FY SALES GOAL

Enter the yearly sales goal in the FY – SALES GOAL portion of column (3).

(8). CONTRACTS WON

Fill in the CONTRACTS WON section and subtract it from the FY SALES GOAL in order to determine ADDITIONAL SALES NEEDED.

Again, use red if this number is below your goals.

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(9). WORK COMPLETED & BILLED

Fill in the WORK COMPLETED & BILLED section. Subtract it from the FY SALES GOAL.

Enter the difference (in red, if necessary) in the ADDITIONAL WORK TO COMPLETE & BILL section.

[C] C. Motivation

Used properly, the Bid Board can be one of your most powerful motivational tools.

We recommend that:

- You have one per division, if appropriate.
- If you have salespeople, have one board for each person.
- You fill it in and keep it up-to-date *at all times*.

This allows you to monitor the goals of your salespeople and provides a “report card” for a very crucial part of your business.

It can greatly facilitate *communication* and *training*. You can help your staff set priorities and focus their energies as you review each board (and progress) throughout the year. You, the owner or manager, should be the only person allowed to mark the “hot” items with the red marker on the board. This technique can focus your staff on those items that you, the owner or manager, deem important.

Place the Bid Board in a strategic location.

Out of sight leads to out of mind. Place the Bid Board in an area that’s at eye level. Put it within a few feet of the desk where the person using it will be sitting and looking right at it during the course of the day. It can motivate the dickens out of your people. It will focus energy and enhance communication, by sharing vital information and priorities with your staff.

Be aware of who sees the Bid Board

The Bid Board contains vital company information your competitors would like to have. Be careful who has access to it and where you place it.

[B] 2. The **BID STATUS REPORT**

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The Bid Status Report (see Figure 40.2) is a computerized spreadsheet version of the key elements on the Bid Board.

******(Figure 40.2. The Bid Status Report)******

I developed the Bid Status Report because we were running out of room on the Bid Board for all projects awaiting award. We were weary from making all those continuous changes on the Bid Board, and knew there had to be a better way to track the needed information. Hence, the Bid Status Report was born.

Many of our clients like the Bid Status Report because it displays so much useful information and analysis.

- It's a compact, orderly and convenient record of every project you ever bid.
- If kept current and used properly, it's your most dependable means of tracking bids.
- It automatically adjusts to the flow of new information. It will accurately re-compute and fill in the appropriate columns (bids pending, lost, won, etc.).

It's a marvelous tool. If you're interested in purchasing a copy of the Bid Status Report on diskette, please contact our offices.

[B] 3. The MONTHLY AUDIT DATA (M.A.D.) REPORT

The Monthly Audit Data (M.A.D.) Report (see Figures 40.3 & 4) is a monthly, systematic tracking report that charts the process of bringing sales into your business.

******(Figure 40.3 & 4. The "MAD" Report – pages 1 & 2)******

This is solid statistical information. It's particularly useful for identifying key trends over a long period of time (6-18 months), and for analyzing information in more seasonal locations – identifying and comparing trends, backlogs, bids outstanding compared to sales, etc.

Many of our clients appreciate its value more as they encounter periods of economic downturn, because it provides solid numbers, versus anxious feelings, on which to base business decisions.

It's also available on diskette through our offices.

4. The SALES "BUDGET vs. ACTUAL" GRAPH

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Figure 40.5 depicts your gross sales budget compared to your actual sales and completed work that's billed. You should update this graph weekly. The difference between actual sales and work completed and billed is your work backlog. Used in conjunction with the Work Backlog Graph, it can provide some excellent insight into the results of your sales efforts for the year.

****(Figure 40.5. Sales "Budget vs. Actual" Graph) ****

5. The WORK BACKLOG GRAPH

The Work Backlog Graph (see Figure 40.6) is a simple chart you can fill in weekly. It graphs both your backlog goal and actual performance.

****(Figure 40.6. The Work Backlog Graph)****

[A] SUMMARY

Establishing sales budgets (goals) and monitoring your progress toward achieving them are essential management tasks. Information properly formatted and collected in a timely manner can provide crucial diagnostic insight into the process of bringing sales into your company. It can also focus management energy and motivate staff to take corrective action if necessary. The Bid Board is an excellent tool for monitoring all of the jobs you've bid. The Monthly Audit Data (M.A.D.) Report and the other items presented here are excellent tools for monitoring crucial company information and market trends on a regular basis. However, be careful who has access to this information. It is very powerful and you do not want it to fall into the wrong hands.

***** **Main point:** Be careful who has access to this information. It is very powerful and you do not want it to fall into the wrong hands. *****

[AP] ACTION POINT

Review your methods of tracking your company's sales performance and incorporate the items discussed in this chapter as deemed appropriate.

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This article was adapted from James Huston's new book and audio book, *How to Price Landscape & Irrigation Projects*, released in July 2003 and his previous book, *Estimating for Landscape & Irrigation Contractors*. The author is president of J.R. Huston Enterprises, Inc., which specializes in construction and services management consulting to the Green Industry. Mr. Huston is a member of the American Society of Professional Estimators and he is one of only two Certified Professional Landscape Estimators in the world. For further information on the

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