

If Cash is King, Time's the Queen



Executive Summary. Time for any business is critical, perhaps more so in construction than many other industries. The role of time and its effect on a contractor are discussed here.

Cash is king. Most construction companies have seen times when cash has been tight. If you can't manage cash, it's a real possibility that you can go under. Profit is one thing; cash flow is another. A profitable company can go under because it can't get cash in quickly enough to pay

bills.

Where do we see time? In construction we see time in the construction of projects: mandatory pre-bids, bid due dates, liquidated damages, submittal requirements, pay applications, owner notifications, et cetera. We also see time in the running of the actual construction business: payroll filings (weekly, quarterly, yearly), state tax (monthly or quarterly), federal tax (quarterly or annually), loan (monthly), fuel payments (weekly), and insurance payments on day one of a policy.

Which ones are most important? This is a loaded question as much as the "due dates" for taxes and such above were. Generally speaking, here is a priority list of most damning time impacts to a construction project or construction business:

- Missed notification – many contracts are written to doom the contractor if (s)he is late on notifying the owner of an impact. For instance, if you forget to notify the owner of a change, you may give up your rights entirely to collect time and or money on a change. All of it. Gone.
- Any government payments – paying the state, or especially federal, government is a death wish. You may not die but you'll want to if you get too behind on, say, your 940/941 payments. These are federal payroll taxes and if you miss them, you'll pay interest and penalties and it's hard to ever get out from under.
- Credit cards – interest is high and lender is unforgiving. Pay when the bill arrives. You're not making that much money on cash sitting in the bank. You're losing far more when you're late on a payment.

Time nuggets. Some of the effects of time are not as obvious. Consider these examples of not-so-obvious time effects:

- Job startup – if you have various jobs starting up, there is always a lag in receiving your first payment, which may or may not cover upfront project startup costs. Are you tracking how many jobs are starting at once and how that will affect your business' cash flow?
- Retention – project retentions are normally 5% for public jobs and 10% for private ones. In doing your cash projections are you anticipating waiting sixty days to two years to get your final retention payments?



My story. Part of my struggle in my business was cash flow. State taxes and federal payroll taxes being filed late really caused me problems. Having a competent financial back office is critical – unless your background is in finance and tax and you can competently oversee the details of this department.

So as the title states, cash is king and will always drive a construction company. Well time, she's the queen, and you'll want to pay attention to your calendar because there are plenty of parties out there awaiting your late action to make you pay dearly.

