

DORVAL

MANAGEMENT ASSOCIATES

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Focus of Business

- Masonry Contractor
- \$6,500,000 in Annual Revenue
- In business 23 years (Second Generation)

Business Problems (Before DMA)

The company is owned by a father, who worked in the field, and left the management of the company to his two sons. The brothers were putting out fires on a daily basis and their company lacked structure. The company was purchasing materials without using a purchase order system and the accounts payable person receiving invoices from vendors was having problems verifying price, quantity, terms, job site, etc. Not only were they unable to track material costs for each job, the vendors were taking advantage of them. They were using leased equipment on many of their jobs and were not quite sure how to figure out if they should buy the equipment or lease it.

Organizational Structure Solution:

DMA developed and implemented a functional organization chart with a chain of command. We made the younger brother the CEO and the older brother the COO. This new organization included the new positions of project manager and field operations manager. DMA wrote job descriptions for all of the managers and implemented an evaluation procedure. DMA taught the CEO how to conduct a weekly management meeting with an agenda. DMA developed a very easy to administer incentive plan, which tracked the goals versus the actual performance of the company.

Purchasing Solution:

DMA instituted a purchase order system through the company's accounting software. The project manager now orders materials and issues a purchase order to the vendor with the following information: date, quantity ordered, description of material, price, terms, delivery date and job number. DMA integrated a job cost tracking module with their accounting software, which gave sound feedback to the brothers, project manager, estimator, superintendents, and foremen.

Lease vs. Buy Solution:

DMA developed an equipment utilization spreadsheet to help track how effectively they were using their equipment. DMA also developed a mathematical capital justification tool which allowed them to make informed decisions on whether to buy or lease equipment.

Result

By having a chain of command and job descriptions the brothers, as well as the managers, knew exactly what they were responsible for, what authority they had, and how they would be held accountable. Since we filled the two new management positions from within, it energized employee moral. Management was now working as a team making informed decisions at the weekly management meetings. The incentive plan also fostered teamwork and made employees think more like owners, which drove productivity throughout the company.

The implementation of the new purchase order system along with better vendor management saved the company \$85,000 in the first year. The job cost module enabled management to track each job's gross profit and afforded the opportunity to take corrective action to maximize sales and gross profits on future projects.

The development of the capital justification tool enabled the brothers to plan all capital expenditures, not just equipment.