

CESA BEST PRACTICE WEBINARS

Foundations of a
Profitable Business
18 July 2023



Agenda

- Financial Management Tools
- Profitable Projects
- Managing Cash Flow
- Win More of the Right Jobs



Background

- Chartered Electrical (Consulting) Engineer
- MBA Cambridge
- Commercial Director WSP
- Founder Fresh Projects



What makes a business
successful ?

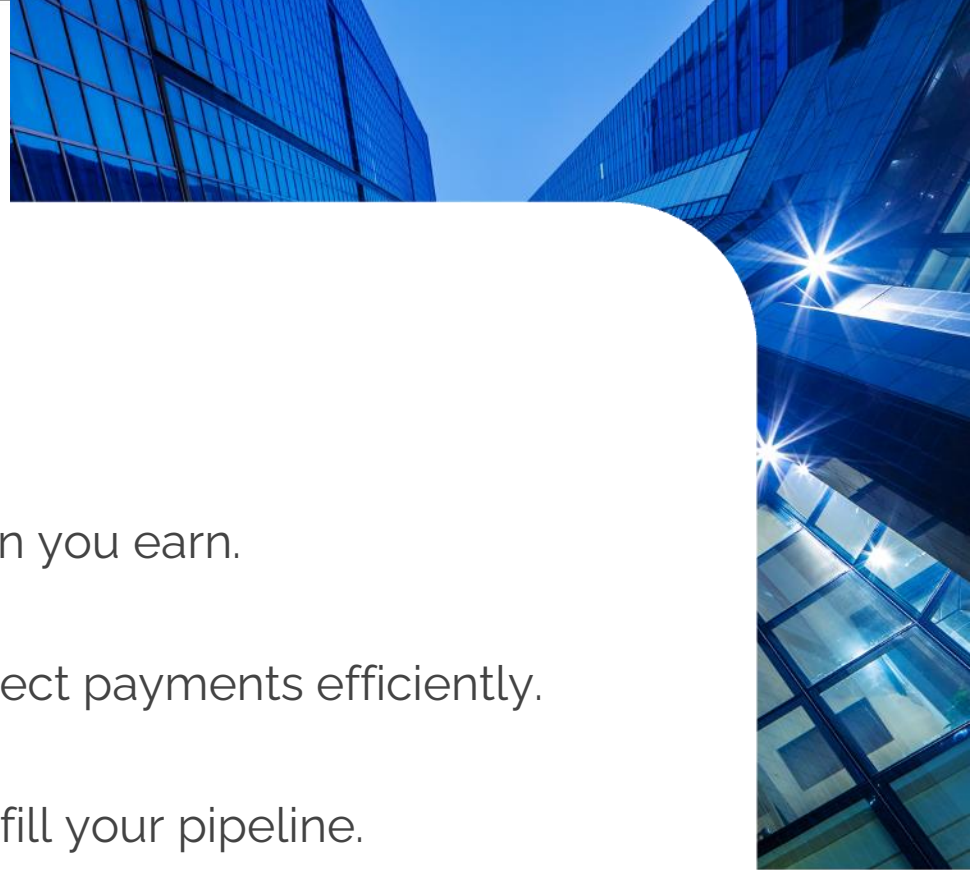
What makes a business successful ?



For a business to succeed, it must be profitable.



What makes a business successful ?



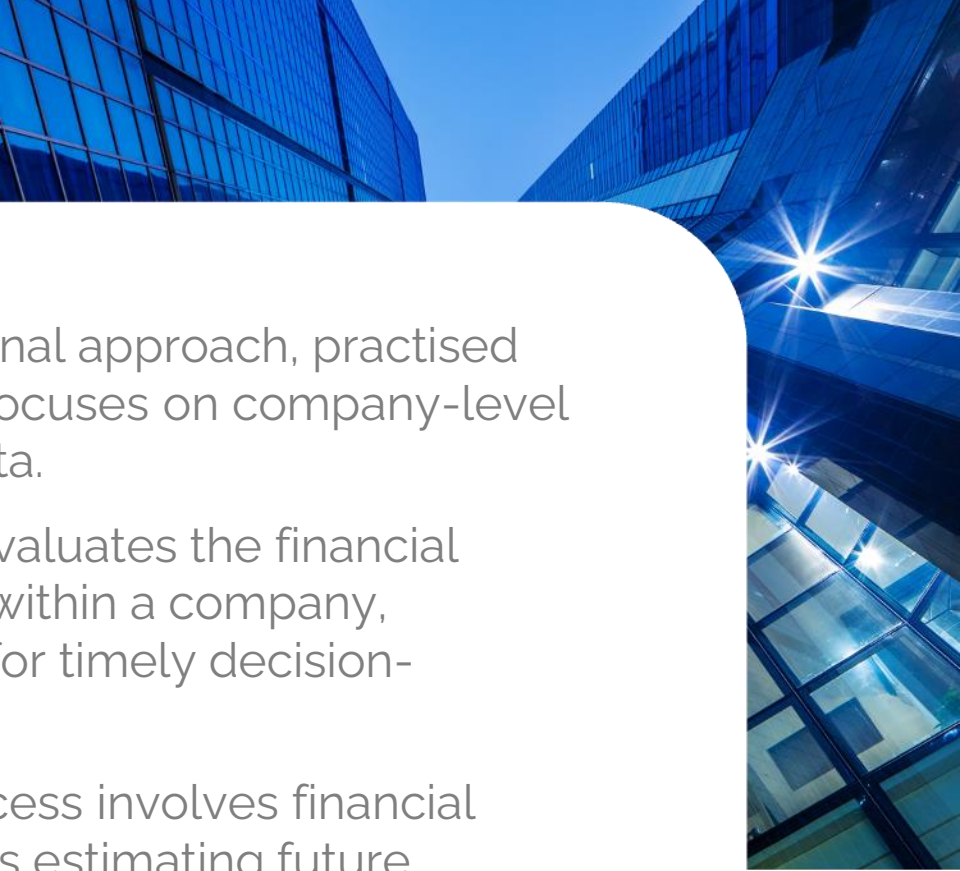
Focus on these essential aspects:

- **Profitable Projects:** Spend less than you earn.
- **Cash Flow:** Invoice quickly and collect payments efficiently.
- **Win Work:** Secure the right jobs to fill your pipeline.



Financial Management Tools

Financial Management Tools



- **Corporate Accounting:** This traditional approach, practised by bookkeepers and accountants, focuses on company-level reporting and relies on historical data.
- **Project Accounting:** This method evaluates the financial performance of individual projects within a company, emphasising real-time information for timely decision-making.
- **Forecasting & Budgeting:** This process involves financial planning for the future, which entails estimating future income and expenses (include additional/fewer employees)



Corporate Accounting: Income Statement

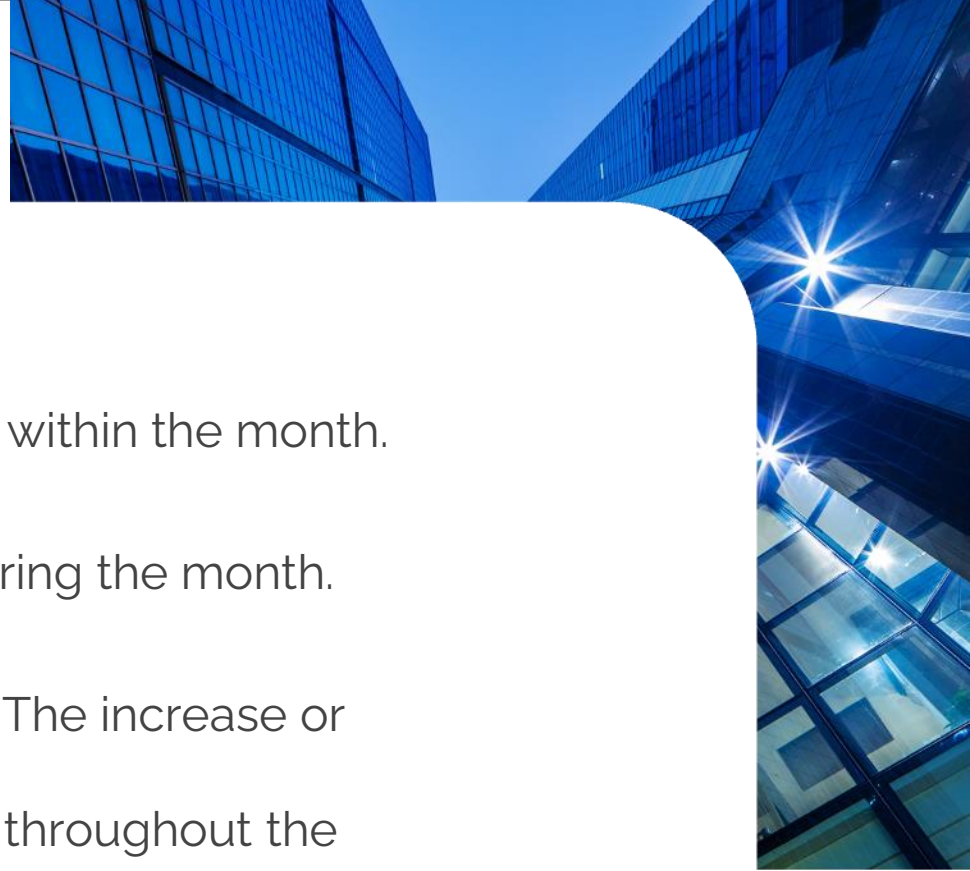


Profit and Loss

Orange IT Services For the month ended 31 October 2008

Account	Oct-08	Sep-08	Aug-08	Jul-08	YTD
Income					
Sales	11,877.71	19,180.25	12,795.28	2,800.00	46,653.24
Total Income	11,877.71	19,180.25	12,795.28	2,800.00	46,653.24
Less Cost Of Sales					
Commission	3,113.00	0.00	1,305.00	0.00	4,418.00
Total Cost Of Sales	3,113.00	0.00	1,305.00	0.00	4,418.00
GROSS PROFIT	8,764.71	19,180.25	11,490.28	2,800.00	42,235.24
Less Operating Expenses					
Advertising	0.00	4,000.00	253.11	0.00	4,253.11
Bank Fees	0.00	0.00	30.00	0.00	30.00
Entertainment	0.00	0.00	1,623.11	0.00	1,623.11
General Expenses	38.22	70.22	529.95	0.00	638.39
Insurance	35.56	0.00	35.56	0.00	71.12
Office expenditure	694.86	1,214.39	1,589.70	0.00	3,498.95

Corporate Accounting: Income Statement



- **Income:** The revenue generated within the month.
- **Expenses:** The costs incurred during the month.
- **Profit/Loss** (Income - Expense): The increase or decrease in the business's value throughout the month.



Corporate Accounting: Balance Sheet

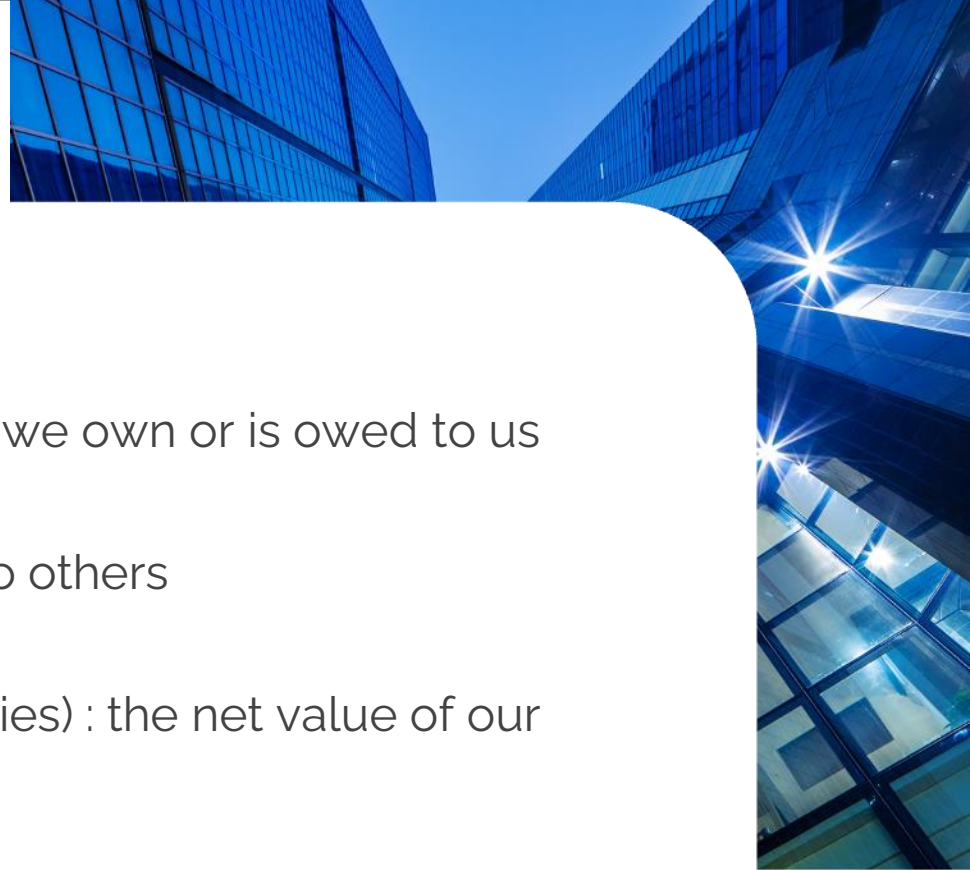


Balance Sheet Demo Company (US) As at 30 September 2016

[Add Summary](#)

	30 Sep 2016	30 Sep 2015
Assets		
Cash and Cash Equivalents		
Checking Account	(4,946.33)	4,540.98
Total Cash and Cash Equivalents	(4,946.33)	4,540.98
Current Assets		
Accounts Receivable	9,172.63	0.00
Total Current Assets	9,172.63	0.00
Property, Plant and Equipment		
Computer Equipment	(829.87)	0.00
Office Equipment	3,628.91	0.00
Total Property, Plant and Equipment	2,799.04	0.00
Total Assets	7,025.34	4,540.98
Liabilities and Equity		
Liabilities		
Current Liabilities		
Accounts Payable	10,291.84	0.00
Historical Adjustment	4,130.98	4,130.98
Sales Tax	2,655.38	42.33
Total Current Liabilities	17,078.20	4,173.31
Total Liabilities	17,078.20	4,173.31
Equity		
Current Year Earnings	(11,966.71)	367.67
Retained Earnings	1,913.85	0.00
Total Equity	(10,052.86)	367.67
Total Liabilities and Equity	7,025.34	4,540.98

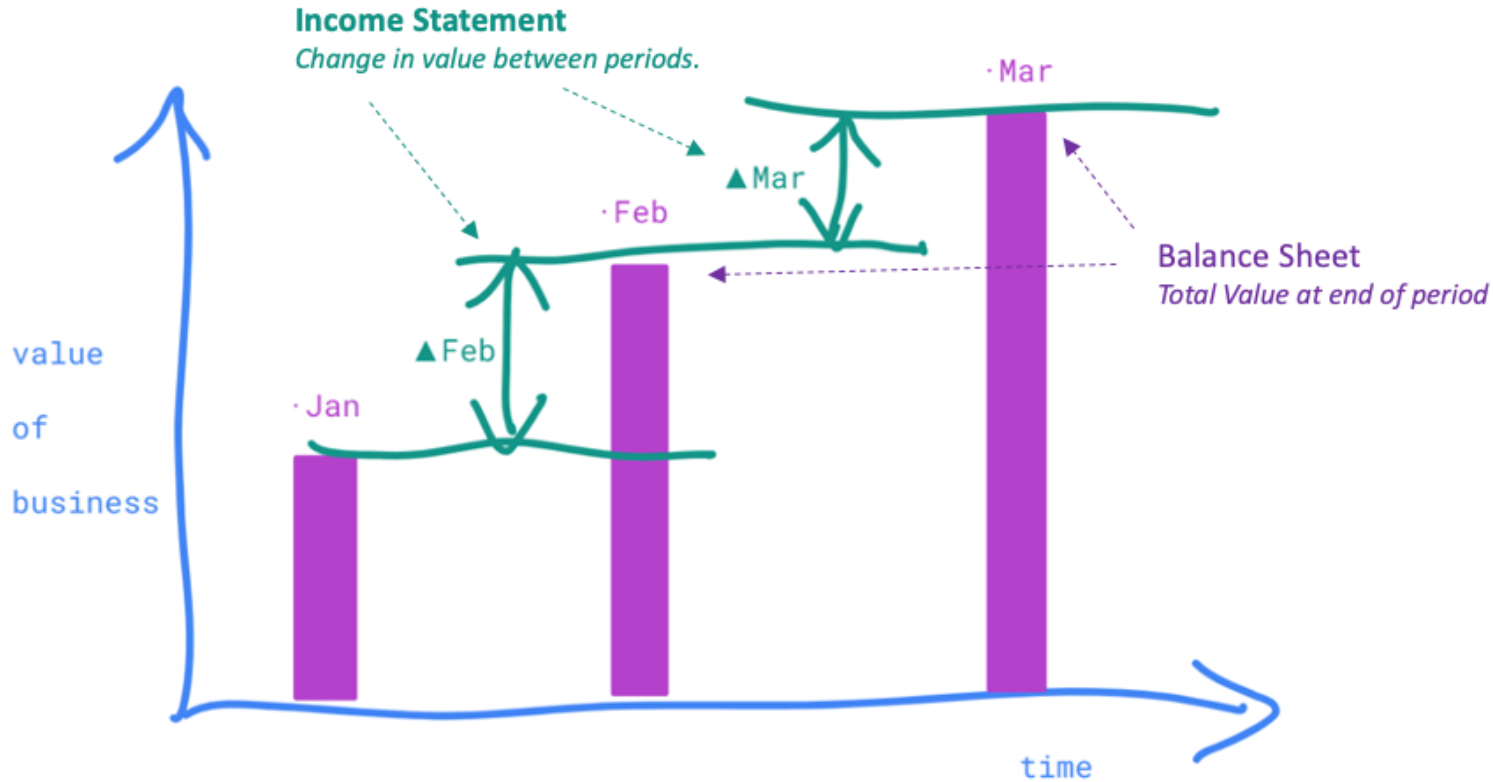
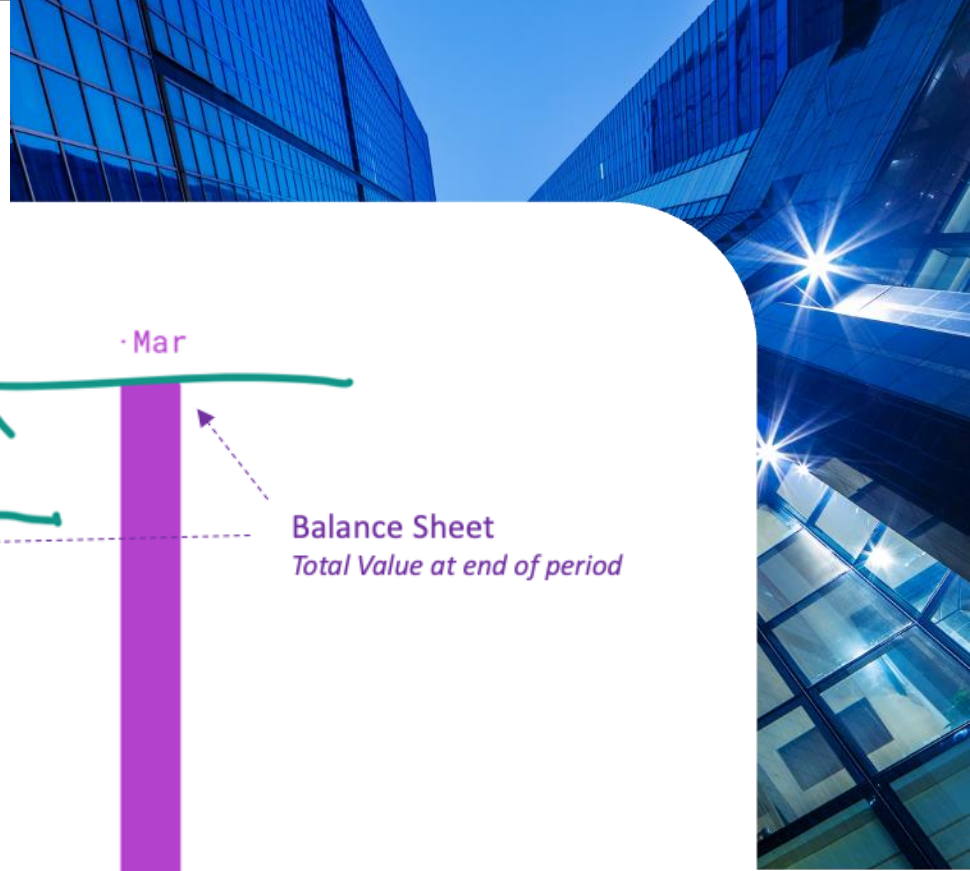
Corporate Accounting: Balance Sheet



- **Assets:** everything of value that we own or is owed to us
- **Liabilities:** everything we owe to others
- **Owners Equity:** (Assets - Liabilities) : the net value of our business



Corporate Accounting



Corporate Accounting: Cash Flow Statement



CASH FLOW STATEMENT Foxglove Foods

Date 20-06-21

For time period 2020

Cash at beginning of period \$ 6,880.00

CASH FLOW FROM OPERATIONS

Cash from sales	\$ 189,037.00
Cash spent on inventory	-\$ 44,227.00
Cash spent on payroll	
Cash spent on operating expenses	-\$ 47,365.00
Interest paid on loans	-\$ 6,000.00
Sales tax	-\$ 8,875.00
Income tax paid	-\$ 7,221.00
NET CASH FLOW FROM OPERATIONS	\$ 75,349.00

1

Include things like rent, electricity, phones, office supplies, marketing and so on.

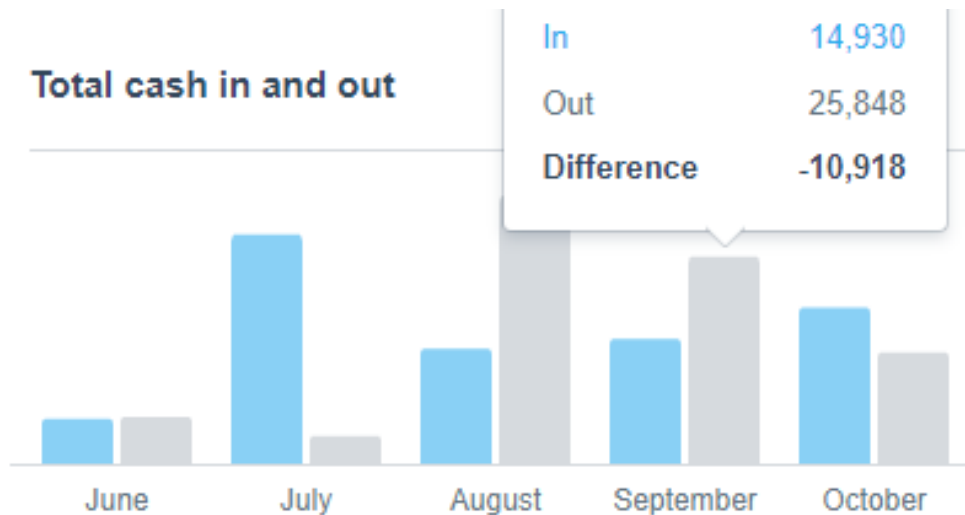
2

Just the interest portion of loan repayments goes here.

3

Show payments as negative, or refunds as positive.

Corporate Accounting: Cash Flow Statement

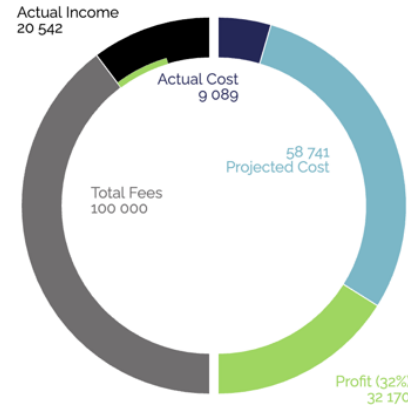


Corporate Accounting



Project Accounting

- **Income Statement**, but
 - at project and client level
 - distribute *all* costs to projects
- **Real Time**



Project Accounting

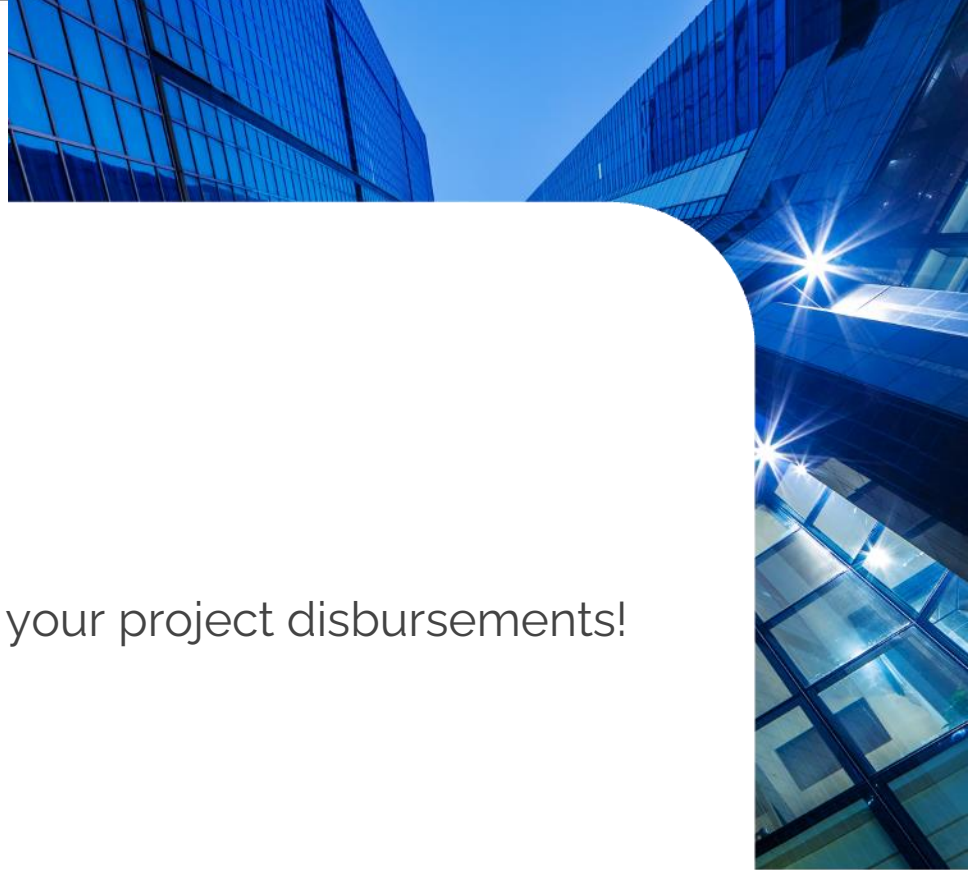
Project Income

- Sum of Invoices

Project Expense

- Direct Expenses
- Time Costs

Project Expenses



Charge your clients for your project disbursements!



Forecasting & Budgeting

- Track **Pipeline**
- Forecast **Income**
- Budget for **Expenses**





Questions ?

Profitable Projects

Profitable Projects

1. Get the **Fee Right**

- *Don't* use fee scales
- Use bottom-up calculation



Fee Calculations










1. Quantify your **Value-add**
2. Define **Scope of Services**
3. Calculate **Costs to Deliver**
 - Labour
 - Expenses



Fee Calculations



1. CUSTOMER 	3. VALUE PROPOSITION 	4. ACTIVITIES & SERVICES 	6. FEE PROPOSAL 
2. CUSTOMER PROBLEM 		5. SKILLS & RESOURCES 	7. COSTS 



Profitable Projects

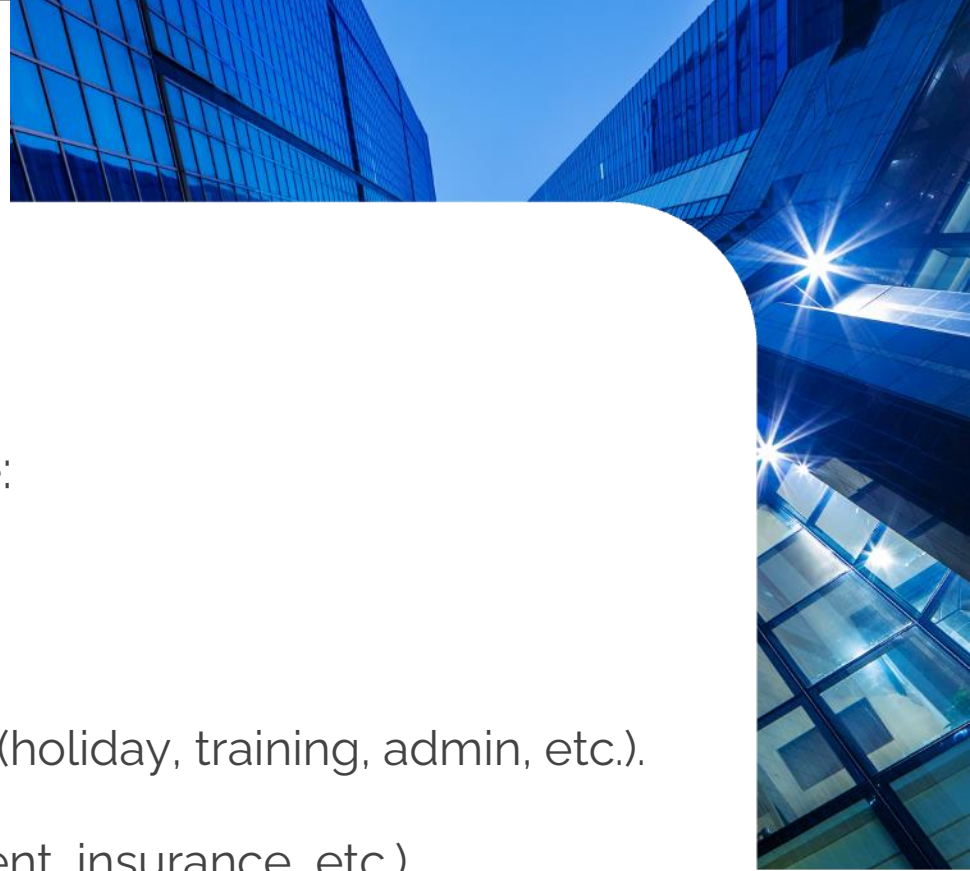


2. Track Project Costs Accurately

- **Direct Costs:** expense claims & supplier invoices
- **Time Costs:** timesheets



Profitable Projects



Time Cost Rates should include:

- Employee's **salary** cost.
- Employee's **non-project** time (holiday, training, admin, etc.).
- Company's **overhead** costs (rent, insurance, etc.).



Profitable Projects



3. Manage **Scope Creep**

At start of project, agree & sign:

- list of things you **will do**
- list of things you **wont do**
- **hourly rate** for out-of-scope work
- **process to instruct** out-of-scope work





Questions ?

Manage Cash Flow

Manage Cash Flow



1. Know **when to Invoice**

- *Basic*: invoice monthly costs
- *Advanced*: invoice monthly progress % ($\text{cost} \div \text{budget}$)

** but be cognisant of your overall deliverables*



Manage Cash Flow



2. Chase **Payments**

- Get **everyone** involved
- **Stop working** if not paid on project
- Stop working for **bad clients**



Manage Cash Flow

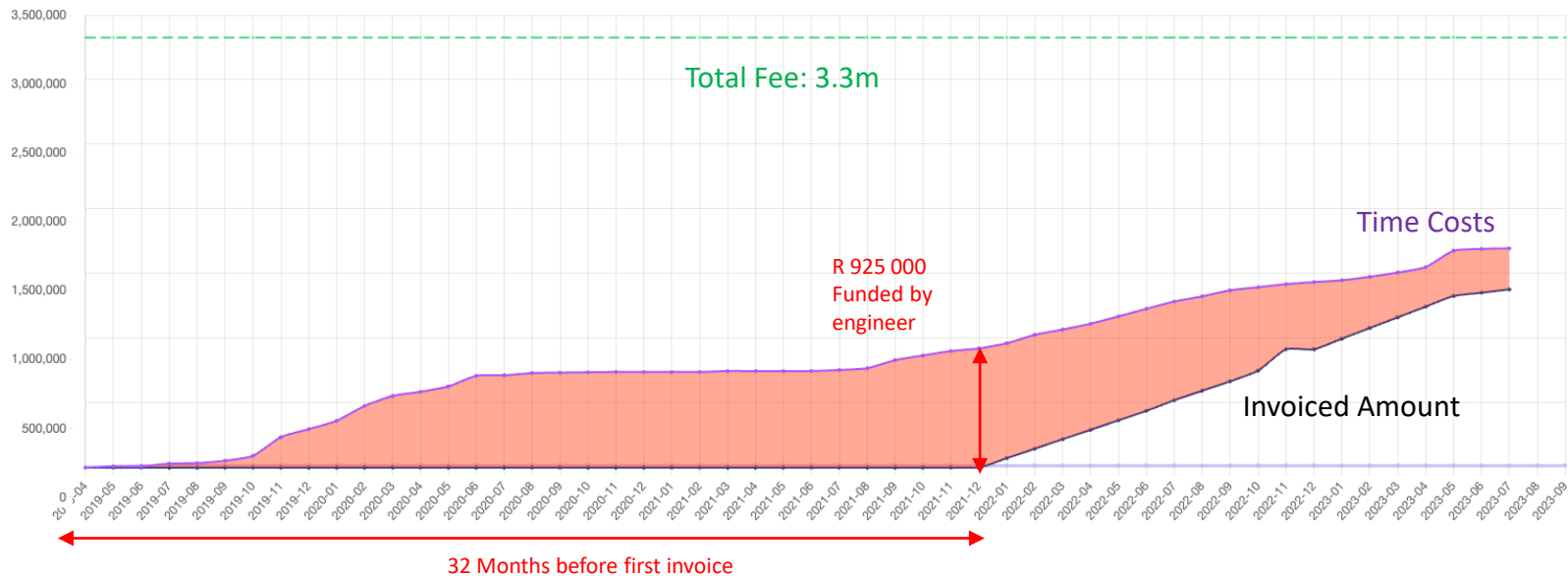


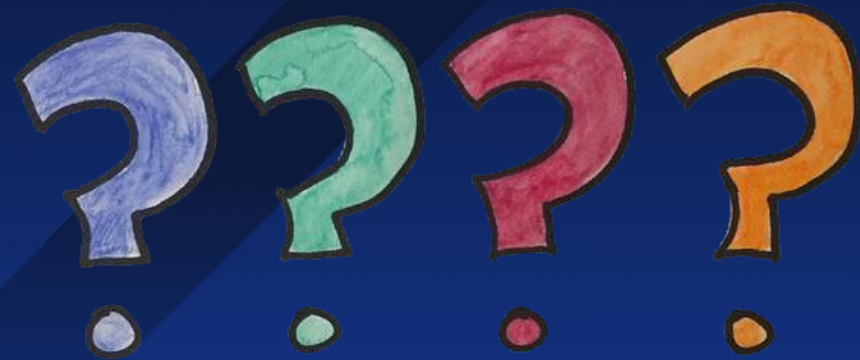
3. Manage **Working Capital**

- Limit your **risk work**
- Be wary of **milestone** based billing



Manage Cash Flow





Questions ?

Win More of the Right Jobs

Win More of the Right Jobs



1. Manage your **Pipeline**

- Maintain list of leads & opportunities
- Segment & Categorise



Win More of the Right Jobs

Pipeline

SEARCH

Stages

Timeline

Grid

FILTERS
edit

PROJECT MANAGER
All

BRANCH
All

Leads
prospects prior fee proposal

+ New Lead

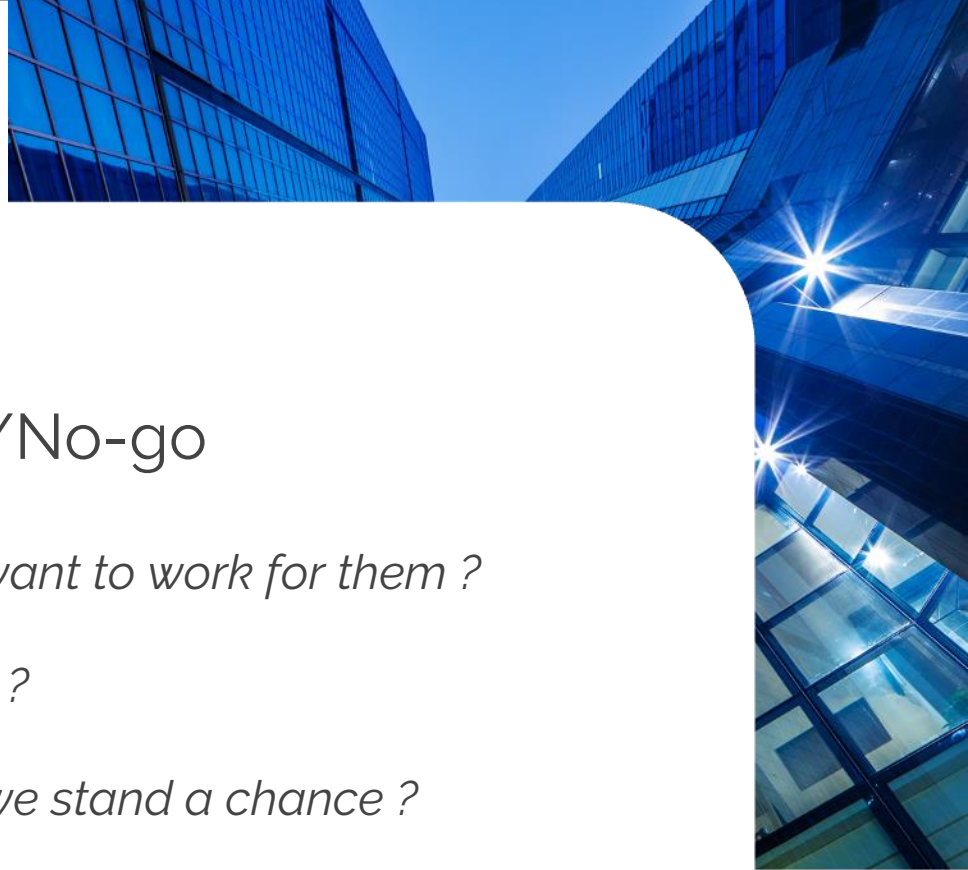
Opportunities
potential projects

+ New Opportunity

Active Projects
Won this month

Prospect	Qualified 1,400,000 700,000	Engaged 6,787,816 2,974,832	Proposals 23,844,937 8,391,973	HOT 3,148,059 2,248,040	Won 51,913,962
New Lead 0	<div>Lead 400,000</div> <div>13 New Job 1,000,000</div>	<div>Fuel Station 150,220</div> <div>1239 Planning 148,750</div> <div>Test 20,000</div> <div>Project A 310,500</div> <div>6412 Summercon Sewer 1,309,000</div> <div>9425 Fourways Mall 100,000</div>	<div>Bryanston Block 300,000</div> <div>North Star 299,547</div> <div>792 Statue of Liberty 1,491,200</div> <div>sdfsd 1,300,000</div> <div>549 Brassie Park 125,510</div> <div>Coffe Container 330,000</div> <div>12121 Discovery</div>	<div>934 Sydney Opera House 2,800,000</div> <div>5000 Simon's House 116,161</div> <div>DD Engine 123,913</div> <div>549 Brassie Park 107,985</div> <div>MonthlyExp Resource 0</div> <div>NFR 0</div>	<div>001 Test 30/01 51,913,962</div>

Win More of the Right Jobs



2. **Qualify** your Leads : Go/No-go

- Validate the **Client** – *do we want to work for them ?*
- Project **Scope** – *can we do it ?*
- **Probability** of winning – *do we stand a chance ?*
- **Budget & Fee** – *will it be profitable ?*



Win More of the Right Jobs

3. Weighted **Forecasts**

Schedule of monthly income:

- **Secured** projects
- **Potential** projects,
weighted by probability

Will we cover payroll ?

Monthly Resource Requirements

- **Secured** projects
- **Potential** projects,
weighted by probability

Who is over/under-loaded ?

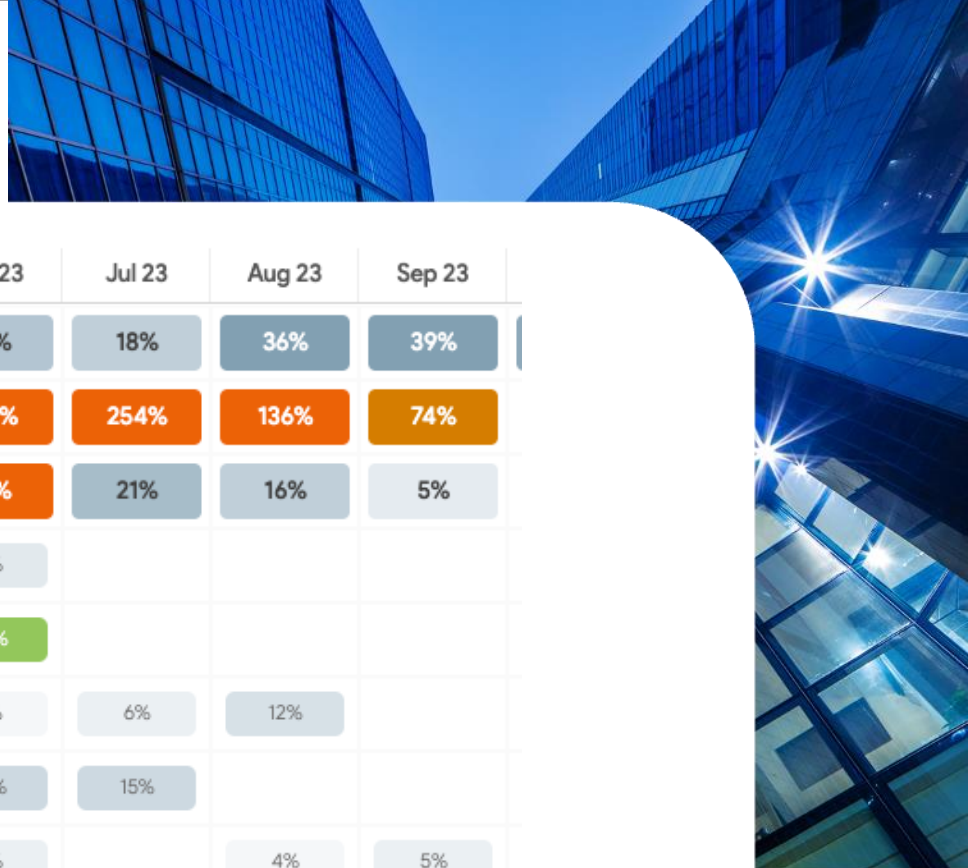


Monthly Income

Financial Forecast

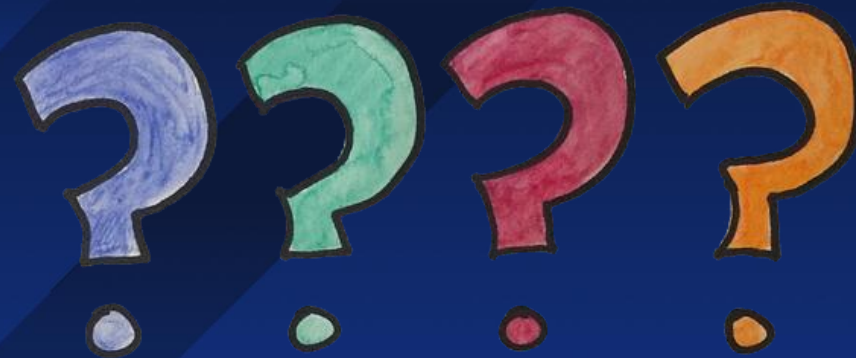
Project ▾	Sub Project ▾	Client ▾	Status ▾	% ▾	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023
12 Sandton Village	Feasibility/Concept	Clear Sky Property	Active	100		7,510	7,510	7,510	
465 Cape Town Castle	Inception	Ecker Designs 3	Active	100			71,328	71,328	71,328
991 Gold mine	Definition	Ice Cream Farm	Opportunity	75					1
1231 Wine Farm	Inception	Ben Bernake	Opportunity	25					33,533
13 JHB Tower	Inception	ABC Furniture	Opportunity	25	111,111	111,111	111,111	111,111	111,111
548 JHB Towers	Documentation	Clear Sky Property	Active	100	58,163				
Jeffs House	0 Strategic Definition	JDA	Active	100	2,400	28,718	2,400	9,600	9,600

Resource Forecasts



			Jun 23	Jul 23	Aug 23	Sep 23
➤ Archimedes		75%	23%	18%	36%	39%
➤ Christopher Wren		63%	332%	254%	136%	74%
▼ Frank Lloyd Wright		60%	87%	21%	16%	5%
123 Durban Beach front > Inception			9%			
1231 Wine Farm > Inception			57%			
Consulting Project X > Design			2%	6%	12%	
D1221 Fourways Mall > Feasibility/Concept > Revit			14%	15%		
Time Off			5%		4%	5%
➤ George Stephenson		79%	5%		4%	5%





Questions ?

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‘Your Partner in Enabling
Consulting Engineering
Excellence’