

The Power of 1%

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Agenda

- Introduction
- 1% is more than you think
- Critical performance metrics
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- The power of 1% - applied to your business
- Summary

Introduction

- Kevin J. McMahon
 - Grew Edwards and Kelcey five fold
 - Led Jacobs NA Infrastructure Group to become one of top Infrastructure Firms
 - Integrated 2500 people in Jacobs Asia
- Recently founded with Bill Siegel the “McMahon | Siegel Group”



1% is more than you think



1% of Measures

- 1% of the US land area is 18,800 acres or 819,928,000 square feet
- 1% of the ocean is 352,670,000,000,000,000 gallons of water
- 1% of the way from NY to LA is 147,280 feet

1% of People

- 1% of the world's population is 7,364,600 people
- 1% of all engineers in the US is 24,950
- 1% of small business owners are 280,000 individuals

1% of Money

- 1% of us national debt of \$20 trillion is \$20,000,000,000
- 1% of the US GDP is \$17,950,000,000
- 1% ownership of Apple is worth \$7,100,000,000

The Bottom Line...

- 1% can be a significant number depending on the circumstance

Practical ideas on how to improve your performance



Good versus Great

Biggest differentiator between average businesses and great ones –

The Great ones keep improving 1% at a time!

ALL THE TIME!

Identify Critical Success Factors

Focus your improvements around:

- Growth
- Margin
- Overhead Costs
- Cash Flow
- Culture

Improving Your Performance 1%

- Typical areas of improvement that make a big financial difference
 - Days Sales Outstanding (DSO)
 - Multiplier
 - Utilization- percentage, hours and dollars
 - Overhead Costs
 - Growth
 - Culture and Accountability

Improve Your Cash/DSO

- Accelerate Billing
- Call and Visit Clients
- Aggressively defend your A/P
- Enforce a defined billing and collections process

Change Order Management

- Resolve Change-Orders Quickly
 - You often have done the work, get paid now!
 - Memories fade with time...
- Push for advances if client process is cumbersome
 - Ask to separate out non-controversial items
 - Fight for full value
- Get involved yourself or put your best people on the resolution of these issues

Improve Your Multiplier

- Analyze Sectors, Clients, PM's for Profitability
- Increase technical competency of lower priced staff
- Use lump sum when possible
- Eliminate write-offs
- Mark Up ODC's
- Increase billing rates by 1%

Improve Your Utilization

- Staff for the valleys, not for the peaks
- Staff for the work you have
- Set expectations for higher priced staff
- Find ways to make support staff billable
- Do forward looking manpower planning
- Encourage work-sharing

Reduce Your Overhead Labor

- Increase utilization of most expensive labor
- Eliminate least productive staff
 - Trust us, you won't miss their work effort
 - Often increases remaining team productivity and morale
- Find ways to put low billable people to work
 - Increase Inter-office work share
 - Have them do work you are subbing out!

Reduce Overhead Expenses

- Run a frugal organization - expense control is cultural
- Don't spend for tomorrow, spend for today
 - You can always get more space
 - You can always buy more equipment, software, etc.
- Establish and monitor budgets, don't just spend freely
- Start with the big items

Culture and Accountability

- Accountable employees increase performance!
- Attributes of a high performance culture:
 - Collaboration
 - Responsibility
 - Performance Focus
 - Communication
 - Support

The Power of 1%



Where's the Beef?

Power of 1%



Impact over 2 Years

	Base Case	4% Growth Year 2	Power of 1% Year 2
Net Revenues	100,000	108,160	110,250
Gross Margin	45,000	48,672	51,817
Overhead	35,000	37,856	36,382
Income from Operations	10,000	10,816	15,435

A 43% Improvement

Client Growth Strategies

1. Existing Services/Existing Clients:

- Most basic, yet often most underutilized, growth strategy!
 - Assess your ranking in the clients' overall portfolio
 - Sell existing services you offer that they are not buying now

2. New Services/Existing Clients

- Opportunity to expand your service portfolio
 - What services do the client want that they are not getting
 - Determine what new services you can develop

Summary

Biggest differentiator between average businesses and great ones –

The Great ones keep improving 1% at a time!

ALL THE TIME!

Thank you!

감사합니다 Natick
Grazie Danke Ευχαριστίες Dalu Obrigado
Thank You Köszönöm
Tack
Спасибо Dank Gracias
谢谢 Merci Seé
ありがとう

Questions?

For Further questions or help, please contact us:

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