

BEING NOSTRADAMUS: Forecasting the Future for Business Success

Presented by: Guy Marcozzi, PE, LEED AP BD+C



SEE THE FUTURE

- Make smarter decisions
- Achieve goals!
- Make lots of money!!
- Amaze your friends!!!
- Keep your job!!!!



Really WHAT TO EXPECT

- Future events can be knowable and predictable
- Business cycles are inevitable
- Trends can help predict the next business cycle
- Best practices exist for each phase in the cycle
- Seeing ahead gives you a business advantage

MY GREAT RECESSION CRISIS

The year is 2008...

- Coming off of a hot economy – high growth and profits
- We had just made a significant regional acquisition
- Had been hiring like crazy
- Certainly not prepared to deal with “The Great Recession”

Into this environment, I achieved a battlefield promotion!

- I needed Nostradamus vision

PREDICTING IS EASY... WE DO IT ALL THE TIME

Nostradamus Prediction No. 1:

The weather will be nice in Hawaii this week.



TWO FACES OF JANUS



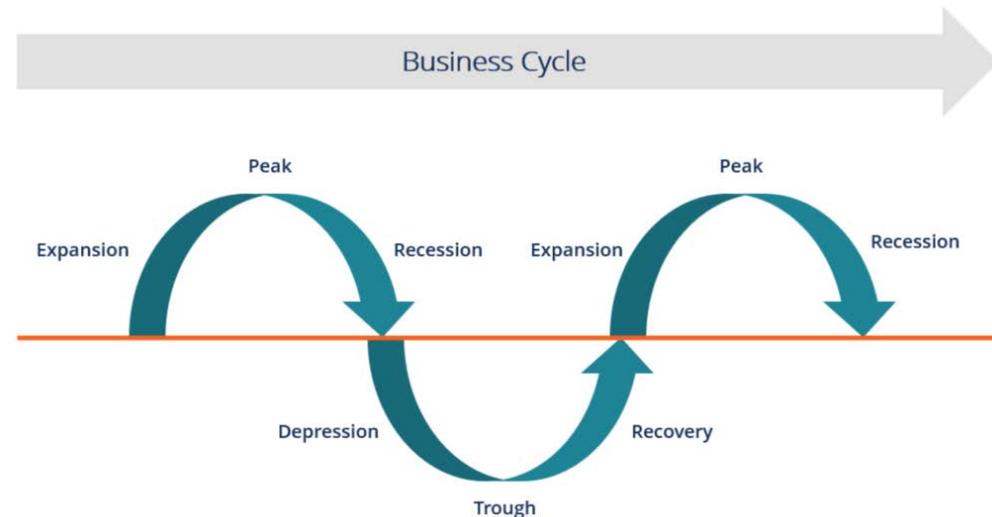
- Tomorrow will generally be like yesterday
- Tremendous tool which is usually correct!
- Hindsight forecasting has a blind spot
...slow, constant, incremental change

LET'S GET OUR NOSTADOMUS ON!

Nostradamus Prediction No. 2:

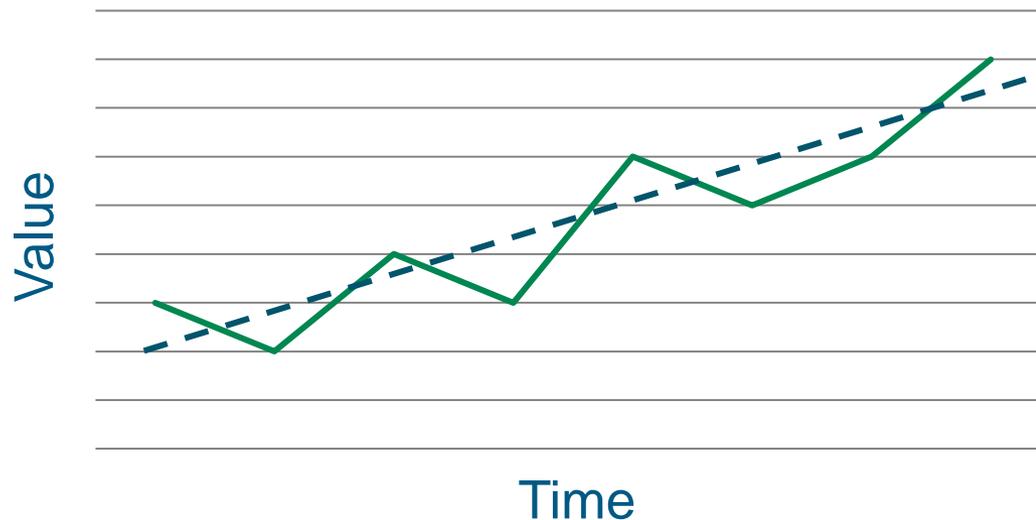
All Business go through cycles

- We take different actions in good and bad times
- Peeking ahead, gives us a head start vs. competition
- Detecting small trend changes is a peek ahead
- It's up to us to take steps today to profit from this knowledge



ECONOMIC TRENDS

If we accept that ALL businesses go through cycles -



- Where are we in the business cycle?
- How do we make good decisions based on where we are and will be in the business cycle?

OK...SO HOW DO WE DO THAT?

Nostradamus Prediction No. 3:

I'll need some tools to predict the future

- I'm not a futurist or an economist
- KPIs galore, but what do they tell about the future?

WHAT CAN WE TRACK?



Trailing



Leading

Revenue | Billable Hours | Backlog | Proposals | Opportunities

(Already Happened)

(Might Happen)

KPIs are good... **Trending** of the KPI's is even **Better!**

ARE WE GROWING...

...OR CONTRACTING?

12/12

12/12 = Immediate past 12 months / Prior 12 months
(24 months of data)

12/12 = April 2018 through March 2019

April 2017 through March 2018

12/12 > 1 indicates **growth**

12/12 < 1 indicates **contraction**

+/-

ACCELERATING...

...OR DECELERATING?

3/12

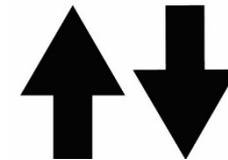
3/12 = Most recent 3 months / prior year 3 months

3/12 = January 2019 through March 2019

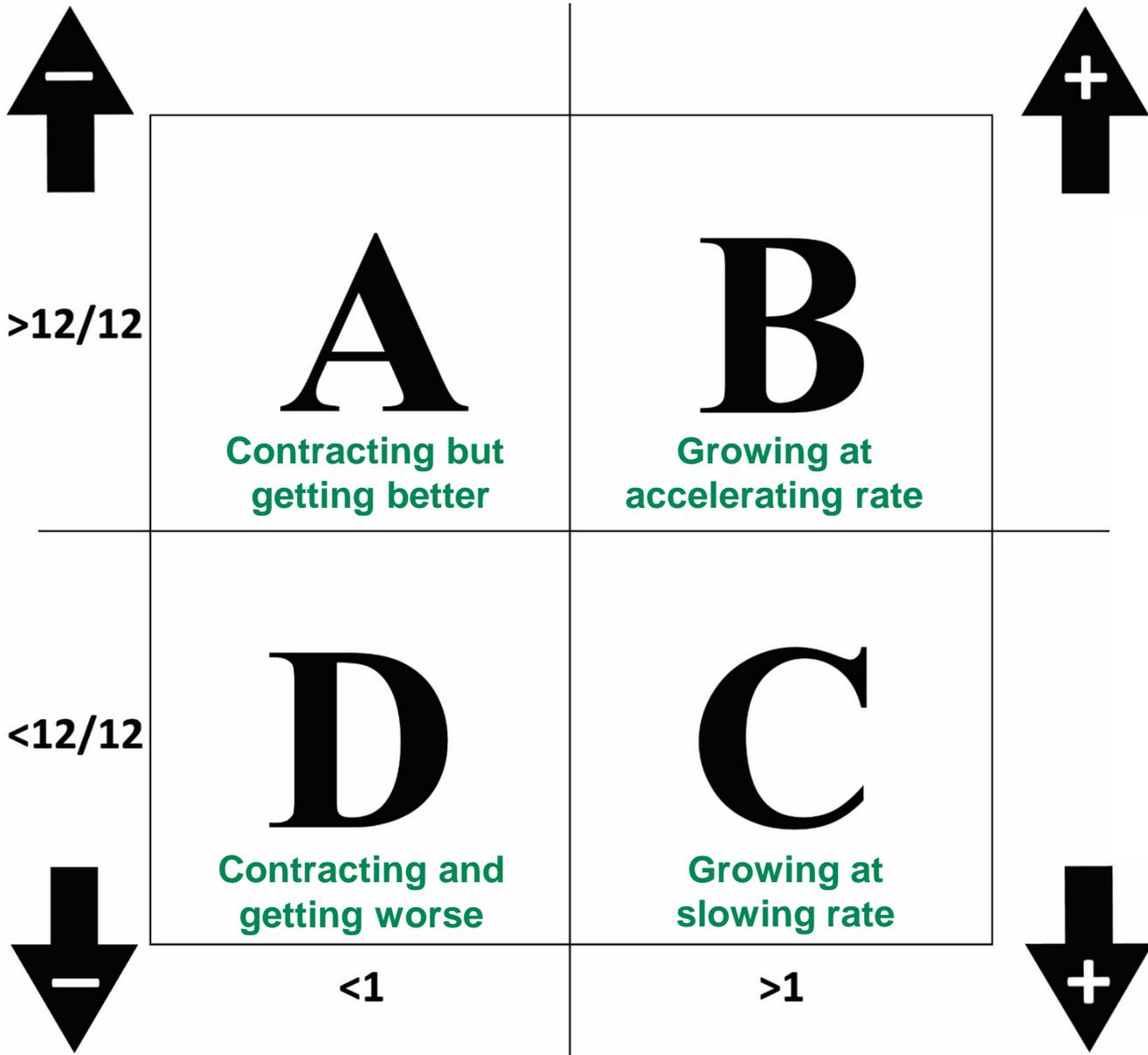
January 2018 through March 2018

3/12 > 12/12 indicates **getting better**

3/12 < 12/12 indicates **getting slower**



QUARTERLY GROWTH 3/12

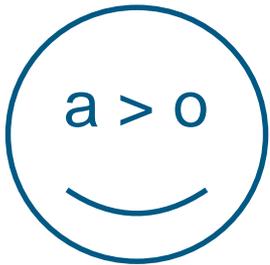


ANNUAL GROWTH 12/12

WAIT?!

I WAS TOLD THERE
WOULD BE NO MATH?!

$$y = ax^2 + bx + c$$



		Input Monthly KPI	12 over 12	3 over 12	1 over 12	Quadrant
2017	January					
	February					
	March					
	April					
	May					
	June					
	July					
	August					
	September					
	October					
	November					
	December					
2018	January					
	February					
	March					
	April					
	May					
	June					
	July					
	August					
	September					
	October					
	November					
	December					

ECONOMIC TRENDS

MyCo Revenue performance over time

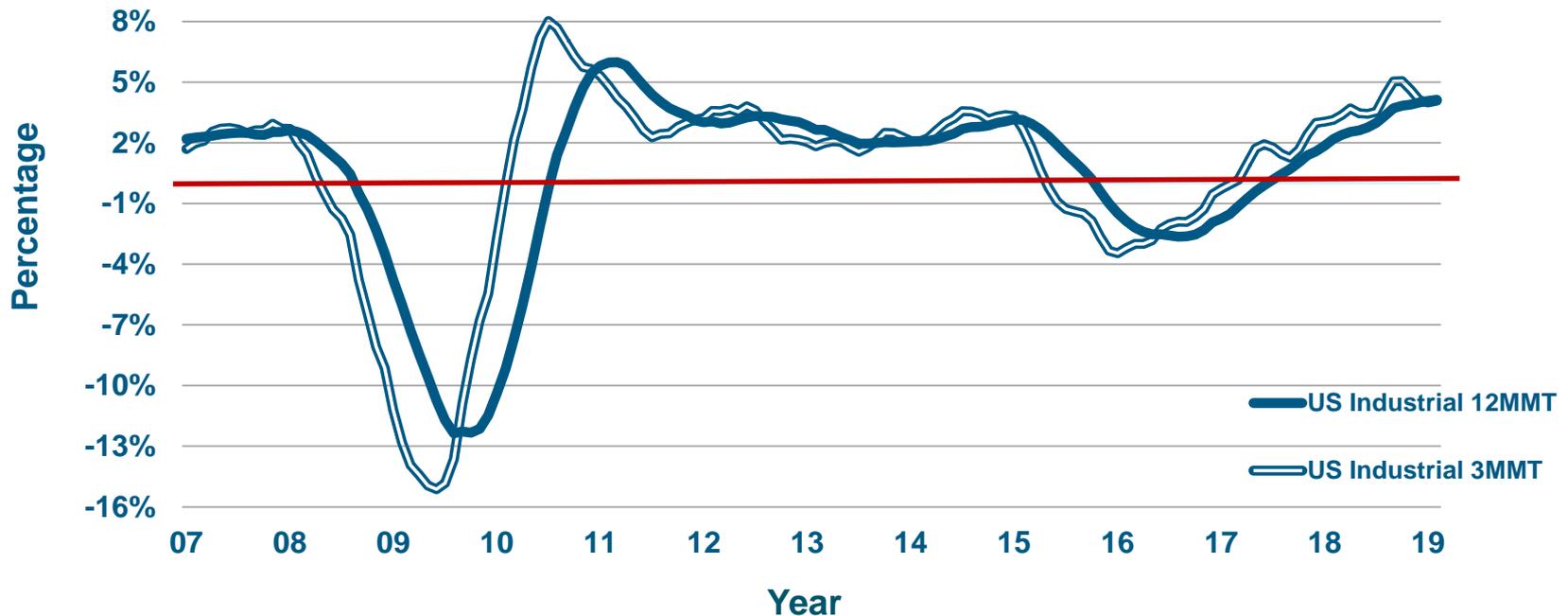


TRENDING ANALYSIS

Add Confidence - Benchmark your performance against Indices (larger data sets)

- US Industrial Production
- Non-residential Construction Index
- Residential Construction Index

BENCHMARK: US INDUSTRIAL OUTPUT



Source: <https://www.macrotrends.net/2583/industrial-production-historical-chart>

BENCHMARK: MyCo VS. BROAD INDEX



Source: <https://www.macrotrends.net/2583/industrial-production-historical-chart>

OTHER BENCHMARKS: NON-RESIDENTIAL



Source: <https://www.census.gov/construction/c30/c30index.html>

BENCHMARK:

MyCo VS. NON-RESIDENTIAL



Source: <https://www.census.gov/construction/c30/c30index.html>

OTHER BENCHMARKS: RESIDENTIAL



Source: <https://www.census.gov/construction/c30/c30index.html>

BENCHMARK: MyCo VS. RESIDENTIAL



Source: <https://www.census.gov/construction/c30/c30index.html>

WHEN BEING CHASED BY THE LION

Outrun
The
Other
Guy

You don't have to outrun the lion...
you just have to outrun the other guy.



OTOG THINKING: *QUADRANT A*



The start of the business cycle

- Overcome emotional fears not founded in data
- Act decisively and take some risks
- Hire the best talent while its still cheap and available
- Opportunistic timing for acquisitions/expansion
- Secure cash flow and line up credit
- Invest in training/technology to improve production
- Double down on sales efforts

OTOG THINKING: *QUADRANT B*



The “goal” phase of most businesses

- Increase billing rates
- Maintain and pursue quality/loss prevention
- Remove process bottlenecks
- Outsource non-core competencies
- Expand into new markets with growth prospects
- Chase unicorn clients
- Be careful to not outgrow your cash flow
- It will not last forever, but pat yourself on the back

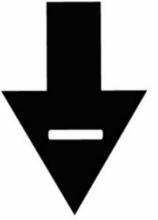
OTOG THINKING: *QUADRANT C*



The “feel good” phase of the business cycle

- Now can be a good time to sell your business
- Stockpile and use cash wisely
- Preserve great clients and seek out off cycle clients
- Sell/spinoff weak or under-performing assets
- Manage AR tightly late cycle
- Be wary of permanent overhead
- Set specific triggers for next phase cost reductions
- Be cautious about buying your way back to Quadrant B

OTOG THINKING: *QUADRANT D*



The inevitable phase that you need to mitigate

- Maintain selectivity (don't be desperate)
- Push button early on your contingency plans
- Don't use assets to avoid hard decisions
- Be proactive to resolve claims
- Reassure and handle top talent with kid gloves
- Opportunity for “wood pile” process improvements
- Renegotiate leases and long-term commitments
- Consolidate departments and management
- Keep an eye out for the next cycle change and be ready

A NOTE OF CAUTION: *BEWARE THE BLACK SWAN*

- Good certainty that unanticipated will happen on occasion
- Possibilities are infinite and by definition can't be predicted
- Over a career or lifetime, a low probability event is collectively more likely
- Some of these are game changers (both good and bad)

If you are in the right place at the right time: Enjoy!

Otherwise:

Always be able to withstand downside risk



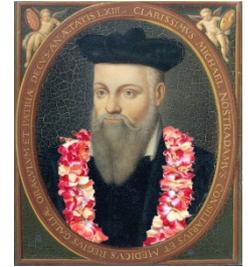
OTOG ACTIONS FOR TODAY



- At best, we are not early cycle
- Prepare for next phase before you enter it
- Watch out for and snuff out bad habits
- Cull your herd for obvious non-performers
- Preserve your top clients at the expense of lousy ones
- Pursue different clients who may be phase shifted
- Cash is king in tight economy
- Have your next phase contingency plans in place

Prepare: Business cycle change presents opportunity

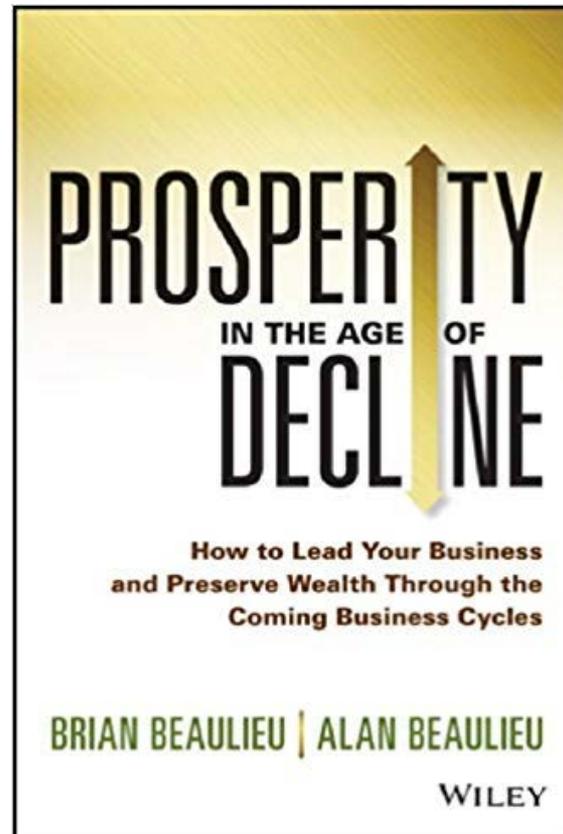
NOSTRADAMUS TAKEAWAYS



Don't worry about outrunning the lion

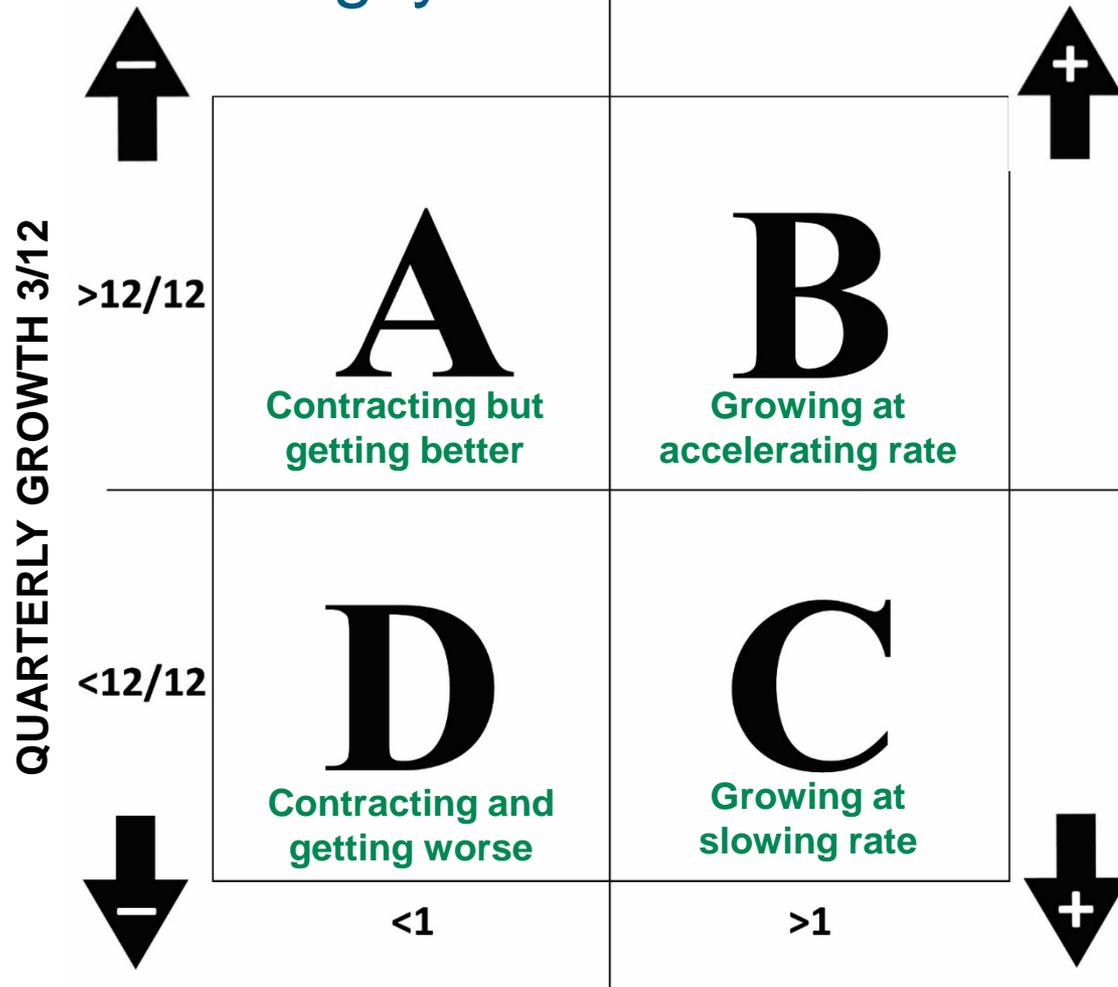
- Seeing ahead is a learned skill
- Cycle changes create threats and opportunities
- Small incremental glimpses into the future present opportunity and insight your competition can't see
- Get your KPIs together and start trending
- Base your actions on where your data trends forecast the business cycle to be going

REFERENCE - PROSPERITY IN THE AGE OF DECLINE



QUESTIONS?

guy@duffnet.com



ANNUAL GROWTH 12/12