

EYES ON THE PRIZE

Assemble a comprehensive team to analyze financials and make informed decisions



BY MICHAEL WAGNER, MBA, CSP, ASM

Whether it be throughout the snow season or post-season, examining your company financials is a great way to analyze performance and gather information

that can help you make well-informed decisions. No matter if you're digging up good or bad information, knowing what you're looking at, and who to have involved, is half the battle.

Who needs to know?

The formation of a team to review financial performance is the first of two vital components. This may look a little bit different for

every organization depending on its Organization Breakdown Structure (OBS), as well as everyone's duties and responsibilities. Some organizational characteristics that can affect the team's formation include:

- The size of the organization (i.e., personnel on-hand)
- Geographical operating zones (e.g., operating locally, regionally, nationally, etc.)

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FINANCIAL ANALYSIS: WHAT YOU NEED TO KNOW

➔ The key figures and information you will need to make informed decisions are profitability, revenue, fixed operational costs/expenses, labor and variable costs/expenses, and financial changes over the previous three years. Below is a greater explanation of these metrics, and why they are so important:

1 Profitability. Looking at your profit margin helps you understand how well you're managing your operational costs. As you go through the season, look at where your profit margin is in real time compared to your budget projections. Are you on track? If not, what is sending you off track? If your profitability isn't where you expected, you want to examine revenues and costs to determine the potential pitfall(s).

2 Revenue. Are your service rates meeting projections? Have the weather patterns impacted your revenue? Examining revenues is a good opportunity to know how much work you're selling, and how much work is being done. Also, for the financial specialists in the organization, you want to know which clients are paying their invoices on time, and which ones aren't, which may be costing the organization a short-term loss.

3 Fixed Operational Costs/Expenses. Knowing your fixed operational costs is something that should be well defined at the beginning of the season. With that said, regularly reflecting on these costs can help you identify potential operational errors that may arise, or allow you to plan for increases and adjustments to your rates for new contracts. Think fixed assets (buildings, land, equipment, vehicles, etc.).

4 Labor and Variable Costs/Expenses. Commonly, the greatest expense to an organization is labor. Deep-diving into your labor expenses will help you know how you're performing

on site. Are you meeting the level of service requirements that you sold? Are jobs taking too long, and if so, why? Do you need additional crew members on certain sites, and why? Are you underbilling or overbilling given the labor or working hours required to provide service? All of these considerations will help you draw conclusions for performance measuring. You may pick up on missed costs or catch errors on timesheets or billing, as well.

5 Financial Changes Over Previous Three Years. Knowing how you've been performing can be a solid indicator of where you're going. Examine trends in costs/expenses, as well as profitability and revenue. You always want to increase your profitability, and knowing if your revenues are increasing at a greater rate than your costs/expenses will help you get there. If you aren't, and your costs/expenses are increasing quicker than revenues, you will want to hone in on why.

Understanding these five figures will help you gauge your current performance based on previous measures and changes, as well as understanding the organization's financial trajectory for the future. It's important to know if you are making changes or progressing, or if what you're doing isn't working out so well.

Lastly, knowing how you're performing in your market clarifies your competitiveness. While each organization's operating activities may vary, companies may grow at different rates. This may also be due to seasonal weather fluctuations, and weather patterns varying drastically compared to historical data given the climate and environmental changes we are all experiencing. But you may be able to identify your market share and competitiveness with others in your region, and it can help you know where you're at, and if there are missed opportunities out there.



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- Number and types of clients you service (e.g., residential, commercial, private-public contractor, etc.)
- The equipment you utilize
- Your dependency on subcontractors

After considering this information, reflect on who is typically involved

in reviewing financial information to make decisions, or who you may be missing that would add value to this process. Roles that must be involved are the president or CEO (chief executive officer), CFO (chief financial officer) or controller, COO (chief operations officer), director of snow operations, director of

maintenance and snow operations manager.

Keep it simple

Since roles may be different, take a holistic approach to identifying those in your organization who should be involved; but it's important to consider who is responsible for reviewing company financial information, making high-level organizational decisions, budgeting, and who directly oversees company-wide snow operations.

To build this high-performance team, consider keeping it lean and collaborative. It can get difficult to review information and set actionable items post-meeting when you have

As you're going through these meetings and having discussions, keep an open mind on who you may be missing that could bring information and value to the team. Sometimes questions arise, or more information is needed, and you may be leaving out an individual who can change the game.

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too many people involved. The more concisely you can review this information in a timely manner, the better you will be able to set actionable goals for all individuals, which will help influence quicker and more accurate results.

To finish off team formation, there is one last component. As you're going through these meetings and having discussions, keep an open mind on who you may be missing that could bring information and value to the team. Sometimes questions arise, or more information is needed, and you may be leaving out an individual who can change the game.

Building structure

When you ponder who should be

involved and what should be considered, create structure for this financial review team that allows for timely review and decision-making abilities. It is good to review this information throughout the snow season, preferably once each month; and you may even hold shorter briefings if issues arise in-between.

While it's not typically recommended to make big or drastic decisions based on small amounts of information, or in short timeframes after negative situations may occur, frequently reviewing performance will help you make smoother adjustments to your operations, plan for the near future, or catch catastrophic mishaps that may occur and negatively impact the organization's relationship with clients (overcharging, missed billing, service issues, etc.).

Working proactively as a team will give you an advantage through strongly developed channels of communication, and more informed decision-making. **SB**

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