

Managerial Strategies for Improving Project Level Cash Flows and Payment Terms

Project Summary

The construction industry is chronically underperforming when it comes to project-level cash flows, and this is the number-one contributor to company failures each year. Electrical contractors are particularly susceptible to margin erosion because of the poor cash flow management of general contractors and project owners. NECA members will benefit from an understanding of managerial strategies that improve project level cash flows and improve payment terms.

ELECTRI-International has teamed up with Colorado State University to study the current, best practices of electrical contractors for cash flow management, and the proven payment negotiation strategies. The outcome of this proposed study is an **Electrical Industry-Specific Training** curriculum. The curriculum will include training modules that will be delivered nationally to interested contractors.

In order to discover and study these current, best practices the following questions are presented for your consideration and feedback. Your responses to these questions are maintained strictly confidential, and the results will be presented only in aggregate – with no personal or company identifiers for participants. Please send responses to these questions to Dr. John Killingsworth at j.killingsworth@colostate.edu – lead researcher from Colorado State University.

Research questions:

Q1. What are the current challenges that your company faces in collecting payments. Or, in other words, what are the causes of such lengthy accounts receivables in the industry?

Q2. What behaviors within your organization exacerbate the problems or challenges with project level cash flows?

Q3. What behaviors in external members exacerbate the problem of project level cash flows?

Q4. What are some of the successful managerial strategies for improving project level cash flows? (note: some strategies are highly effective, and some are moderately effective. All strategies are worth sharing).

Q5. From your perspective, what fundamental principles should be included in the development of a project-level cash flow training program?

Demographic Questions: (to help us associate responses with size and type of contractors)

DQ1. What is the approximate annual revenue of your company?

DQ2. What specific markets does your company perform? (public works, private works)

DQ3. What geographic areas does your company work in?

DQ4. How many employees do you employ?

A second part of this study, for those interested, includes project level cash flow analysis. ProNovos Analytics, an online analytics provider, is supporting this study by providing a unique access to the use of their software. Construction projects are analyzed for statistical trends, which leads to better understanding the Earned Value curve for electrical projects. Interested parties can contact John Killingsworth for more details on this phase of the study.

I look forward to hearing from you,

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