

The Value of an Annual Partnering Meeting

BY IAN MANNING

In the volatile world of construction, contracting companies know that strong relationships with service providers and consultants are essential to their success. But many contractors may not recognize that strong relationships among these important advisors are equally essential and can directly influence the outcome of any job. Facilitating relationships across functional boundaries can be extremely beneficial through an annual “partnering meeting” for strategic planning and external communication.

The goal of a partnering meeting is to create a dynamic level of interaction and proactive communication among the different relationships that are maintained by modern construction companies. Open and honest communication is critical.

A partnering meeting goes beyond a traditional board meeting and includes participants representing every key discipline within company and project management teams. Attendees should include internal executive management (operations, finance,

safety and risk management, etc.), insurance and surety bonding agents, surety underwriters, bankers, general counsel and the external auditor.

The meeting, typically lasting two to three hours, should be held soon after issuance of the annual financial statements and tax returns. It may be held at the company’s headquarters or an off-site location, depending on where the most conducive atmosphere for collaboration can be created.

Partnering meetings should be divided into five sessions.

Session 1: Executive Management Presentation
Management begins the meeting with an introduction of all attendees and reviews the meeting agenda and goals.

Next, management leads a session that includes a detailed recap of prior year results, as well as a current and future outlook. A slideshow presentation is effective in narrating the session, which should cover the following:

- major projects completed during the prior year, including both the gold stars

and the troubled jobs that were managed through to completion (including project descriptions and financial details, as well as photos to allow a better connection to the work that ordinarily is represented only by a couple of lines on a contract schedule);

- significant projects currently under way, along with risks, opportunities, issues and photos;
- safety and risk management results, including key metrics, benchmarks and future goals;
- technology usage and improvements, including changes to field reporting and project management methods and expected gains in efficiency;
- summary of key employees, including retention strategies, new hires and experience, skills and capabilities;
- size of bidder lists, pricing trends and pressures, significant competitors and general environment in operating markets;
- acquisition opportunities, including those related to competitors that may be ready to exit the market or key

- subcontractors that could be brought in house; and
- ownership structure and summary of any recent or pending changes, along with continuity planning objectives and strategies.

Session 2: CPA Financial Presentation

The CPA leads a session with an overview of the financial statements and tax returns and highlights the financial results, benchmarks and ratios of the prior year. The slideshow for this session should include graphs and comparisons, as well as the following topics:

- three- to five-year income statement summary, including construction revenue, gross profit, general and administrative expenses, and net income;
- normalized cash flow analysis that allows an apples-to-apples comparison of the past several years;
- prior year gross profit analysis separated by completed and uncompleted contracts, self-performed gross profit percentages, and completed contract historical gross profit percentage averages and trends;
- backlog and bonded backlog amounts, estimated backlog gross profit and related ratios;
- three- to five-year balance sheet summary, including cash, working capital, tangible working capital, debt, equity, tangible equity and related ratios; and
- summary of applicable accounting standards and tax law

changes, along with a summary of any significant impacts that should be expected.

Session 3: Insurance and Bonding Presentation

The insurance and bonding representatives present a session related to the surety and insurance relationship, including the following:

- the surety company's financial strength, capability and contractor experience segments;
- surety loss ratios and ranking on the annual list of top surety bond writers;
- general bonding program overview, including single job and aggregate capacity amounts and potential changes based on the contractor's current needs and operations;
- current or anticipated project type or location restrictions;
- any changes to underwriting guidelines or new requirements that should be anticipated by the contractor; and
- current insurance program and coverage review, including potential future coverage needs based on operational changes.

Session 4: Banking Presentation

The bank representative's session should focus on the deposit, investment and lending relationship, including the following:

- the bank's financial strength and experience working with contractors;
- review of credit lines and borrowing capacity;
- changes to working capital and debt ratios;

- loan covenants and related compliance; and
- willingness to adapt programs based on the contractor's future needs.

Session 5: Legal Presentation

Legal counsel often presents a session discussing the general legal environment, including the following:

- outcome of any litigation during the prior year and related lessons learned, both favorable and unfavorable;
- brief outline of current, pending or threatened litigation; and
- summary of the regulatory environment and trends related to the contractor's specialties, operating markets and any anticipated regulatory changes.

At the end of the sessions, all of which should be tailored to the contractor's needs and objectives, it's helpful to hold a general roundtable discussion to answer questions or address items not already covered.

The results of the partnering meeting, as it becomes an annual tradition, will prove to be valuable throughout the year, and help to provide a big-picture view of the construction business that otherwise would not be possible. 

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