

## *Financial training For non financial staff*



*The financial training specialists*

### **Managing profit, not just costs (Profit)**

When I start a workshop, I often ask participants what their financial impact on the business is. They take out a salary every month: what are they giving back financially?

I was working last week with some site managers and Quantity Surveyors for a construction business. They all talked about controlling costs; finishing the job on time and on budget; quality; etc.

And all of these are important financially. But they focus on cost management, not profit management.

Now of course, cost management is a very important element of profit management. But it is only one element. The other is managing project revenue.

"But we don't have any control over the project price" they objected. "That's agreed by the sale team in advance."

True, but the price is agreed in advance for a very specific scope of work. They agreed that the client frequently wanted to amend that scope mid project. Whilst we can accommodate their desired changes, we want to earn some extra money from doing the additional work. So we looked at Change Control: the art of turning a change in scope into an increase in contract price. And that process is driven by the project managers, not the sales teams.

Then there's the issues of making sure everything gets invoiced that should be invoiced: that's the responsibility of the Quantity Surveyors.

So, whilst cost management is important, it isn't the whole story. How can we increase the amount we charge, so that we're managing profit, not just costs?