



Maxim Consulting Group, LLC

Silver Bullets to Improve Project Profitability

Jeff Moore
Managing Director
Jeff.Moore@MaximConsulting.us
215.327.4154

September 13, 2009



The Scorecard

Line No.		Amount	% of Sales
1	SALES	\$30,000,000	100.00%
	DIRECT COSTS		
2	Labor	9,000,000	30.00
3	Materials	8,700,000	29.00
4	Subcontracts	6,300,000	21.00
5	Equipment	3,000,000	10.00
6	Total Direct Costs	\$27,000,000	90.0
7	GROSS PROFIT	\$3,000,000	10.0
8	Overhead	\$2,100,000	7.00
9	NET PROFIT (BEFORE TAXES)	\$900,000	3.00%

Productivity Impact Workshop (1 of 2)

Using the example income statement, answer the following questions:

1. What would happen to this company's net profit (before taxes) if labor productivity increased by 10%?

New net profit with a 10% improvement in labor productivity:

\$ _____ %

2. What would happen to this company's net profit (before taxes) if labor productivity decreased by 10%?

New net profit with a 10% decrease in labor productivity:

\$ _____ %



Productivity Impact Workshop (2 of 2)

3. What would happen to this company's net profit (before taxes) if sales increased by 10%?

New net profit with a 10% increase in sales:

\$ _____ %

4. What would happen to this company's net profit (before taxes) if overhead decreased by 10%?

New net profit with a 10% decrease in overhead:

\$ _____ %



Effects on Bottom Line

% Increase/Decrease in Labor Productivity	% Change in Net Profit
30.00	300.00
20.00	200.00
10.00	100.00
5.00	50.00
2.00	20.00
0.00	0.00
-2.00	-20.00
-5.00	-50.00
-10.00	-100.00
-20.00	-200.00
-30.00	-300.00

Percent Improvement	8 Hour Day	Percent Increase in Profitability
2%	9.6 minutes	20%
5%	24 minutes	50%
10%	48 minutes	100%

