

# INTERVIEW: BAM



**NEIL McGRUER**

Finance Director, BAM Construct UK Ltd

**As finance director of construction company BAM, Neil McGruer has first-hand experience of how important working capital can be in this sector. Three years ago, the firm's Dutch parent company, Royal BAM Group, embarked on a review of its working capital practices across the group using outside consultants. The process included a close look at the £1bn turnover UK operation.**

"I must admit, when they first came in, I thought we were pretty good and there wouldn't be much improvement," says McGruer. "But, in fact, they did help us to tighten up our practices and now our senior operational people and the finance and commercial teams work more closely together in managing cash.

"That closer liaison between the people who are managing the day-to-day relationships with clients and our finance and commercial teams means we have become better at proactively managing cash across seven regions of our construction business in the UK with the result that we are more confident about asking for payment in good time and



quicker to follow up on late payments than we were in the past."

Simple process changes made significant impact, such as contacting clients with large outstanding invoices a few days before the invoices became due to make sure that all the paperwork was in place for payment.

"I think there were a few people from the client side who thought it was a bit brazen at first," he recalls. "But actually, we were just wanting to make sure they were comfortable with everything and build a relationship. After a while, rather than paying five days late they ended up paying five days early. So, I think everyone saw that as quite a positive!"

When it comes to payment terms, McGruer is convinced that successful companies like BAM have a responsibility to their subcontractors and other suppliers.

"We're keen to maximise our cash, but we recognise that we're really only as strong as our supply chain. We deal with everything from one-man-and-his-van up to quite large companies, and we have to treat each of those as an individual case. Some are being paid on bi-weekly payments, others from 45–60 days.

"We like to think that we're a reasonable payer; we'll negotiate hard on terms and conditions, but I think it's important for businesses to adhere to whatever payment terms they agree," he adds. "I was pleased when I joined this company that their practices were fair and responsible – you need to try your best to make sure that you pay people in line with the contract you signed."

So, what would McGruer's advice be for other companies who want to address working capital in their own organisations?

"The reality is that without cash none of our businesses can operate," he says. "It's important that it isn't just left to the finance teams to manage; it is a business issue. Operational people and leaders need to invest time and effort in having conversations, with clients and with the supply chain, to come to sensible terms. And then once they're agreed, please just abide by them."

His final piece of advice might, he says, be making a rod for his own back – but it's worth giving anyway. "Make this something that you do on a weekly or monthly basis - speak to people, and don't be afraid to ask for money."