



# NARI ACCREDITED REMODELING COMPANY STANDARD



## Introduction

Managing a successful remodeling business requires adherence to sound business practices and a dedication to continuous improvement. It also demands a commitment to quality, professionalism and overall customer satisfaction.

The Accredited Remodeling Company standard, as set forth by the National Association of the Remodeling Industry (NARI), is designed to assist remodeling companies in developing management systems which support business goals and facilitate client satisfaction. The Standard should serve as a management framework which can be used to develop more effective, efficient, professional, and customer-centric organizations.

This Standard can be used by established remodeling businesses who wish to improve their operational efficacy via a thorough self-evaluation and compliance with the elements outlined in this document. It can also be used by newly established businesses to set the management and operational foundation to support company growth through effective management.

The Accredited Remodeling Company Standard was developed through a consensus-based volunteer effort, involving industry subject matter experts and successful remodeling business owners. It is truly a management framework designed by the home remodeling industry, for the home remodeling industry.

The Standard is non-prescriptive, meaning it does not require, recommend or otherwise endorse any particular process or product. Instead, it allows individual organizations the flexibility to choose the most effective ways in which to meet the organization's management requirements.

The Standard is designed to serve as a roadmap to building a better remodeling company. It is based on universally accepted management principles, proven to be primary characteristics of successful, quality and customer-focused remodeling organizations.



## Acknowledgments

The Accredited Remodeling Company Standard was developed through a true consensus-based effort involving remodeling industry experts, successful remodeling business owners, and standard development professionals. In accordance with a true consensus-based process, all views and objections have been considered and every effort has been made to achieve agreement on the Standard elements. Ultimately, the management elements contained herein were agreed to by the experts who elected to participate in the development process.

The National Association of the Remodeling Industry (NARI) has facilitated and administered the development process but this Standard would not be possible without the hard work and dedication of the remodeling industry as a whole. NARI and its Board of Directors would like to thank those volunteers and professionals who participated in the creation of this Standard. Special thanks are also in order to all current and former NARI Accreditation Board volunteer members.

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## Standards

1. **Business Management:** In this section the organization will demonstrate it has instituted appropriate management systems designed to protect the business and ensure continuity of operations.
  - 1.1 **Corporate Status**
    - 1.1.1 The organization **shall** be structured and registered to manage business growth, liability, and risk. Must be one of the following:
      - 1.1.1.1 Incorporated (S or C corp)
      - 1.1.1.2 Limited Liability Company (LLC)
  - 1.2 **Licensure**
    - 1.2.1 The organization **shall** maintain appropriate licenses, certifications, or permits as required by federal, state, and local law.
  - 1.3 **Insurance**
    - 1.3.1 The organization **shall** maintain current insurance policies as required by jurisdiction, as well as:
      - 1.3.1.1 Business liability
      - 1.3.1.2 Worker's compensation
    - 1.3.2 Certificate of insurance **shall** identify NARI as an additional insured (as applicable)
  - 1.4 **Planning**
    - 1.4.1 Business plan: there **shall** be a plan outlining future goals which serves as a guide for how they will be met.
      - 1.4.1.1 The business plan **should** be reviewed every 3 to 5 years.
    - 1.4.2 Business continuity: There **should** be a plan for the continuation of daily business if a change in management or key personnel occurs.
    - 1.4.3 Succession plan: There **may** be a plan for ownership to transition out of the business (as applicable)
    - 1.4.4 Disaster recovery plan: There **may** be a plan for the continuation of daily business in the case of a natural or manmade disaster.
  - 1.5 **Certification**
    - 1.5.1 The organization **shall** maintain at least one top-tier certified professional on staff, the following certifications apply:
      - 1.5.1.1 NARI Certifications: Master Certified Remodeler (MCR), Master Certified Kitchen and Bath Remodeler (MCKBR), Certified Remodeler (CR), Certified Kitchen and Bath Remodeler (CKBR)
      - 1.5.1.2 NKBA Certifications: CMKBD, CKBD, CKD
      - 1.5.1.3 NAHB Certifications: GMB, GMR, CGB, CGR, CAPS
    - 1.5.2 The organization **may** maintain additional certifications for key staff members.



- 2. Financial Operations:** In this section the organization will demonstrate use of consistent financial and accounting practices and systems designed to evaluate and manage financial performance.

**2.1 Financial Review**

- 2.1.1 The organization **shall** prepare an annual budget.
- 2.1.2 The organization **shall** prepare and review Profit and Loss statements monthly at a minimum.
- 2.1.3 The organization **should** prepare and review the Balance Sheet monthly at a minimum.

**2.2 Accounting Practices**

- 2.2.1 Accounting System: The organization **shall** utilize an accounting software system which provides the following functions at a minimum:
  - 2.2.1.1 Ledgers, reporting, tracking and forecasting.
- 2.2.2 Chart of accounts: The organization **shall** use a structured chart of accounts to differentiate between expenditures, revenue, assets, and liabilities.
  - 2.2.2.1 The chart of accounts **shall** include the name or title of the account.
  - 2.2.2.2 The chart of accounts **may** include the accounting code number.
  - 2.2.2.3 The chart of accounts **may** include an explanation of the account and when it is applicable.
- 2.2.3 Accounts Payable and Accounts Receivable: There **shall** be a process for paying bills and receiving project revenues.
  - 2.2.3.1 There **shall** be a process outlining how vendors will be paid.
    - 2.2.3.1.1 This process **may** include a timeline for bill processing and payment, verification of correct bill amounts.
  - 2.2.3.2 There **shall** be a process for client invoicing and collecting payments.
    - 2.2.3.2.1 This process **may** include a timeline for invoice submittal, outline of services billed, discounts available for early pay, methods of payment accepted, and any applicable fees or interest for late payments.

**2.3 Financial Performance of Jobs**

- 2.3.1 Job Costing: The organization **shall** conduct in-process job costing on all remodeling projects lasting in excess of 6 weeks.
  - 2.3.1.1 The job costing process **shall** consider direct labor, direct materials and all other job costs.
  - 2.3.1.2 The job costing process **should** consider labor burden and indirect costs.
  - 2.3.1.3 The job costing report **shall** compare the estimated job costs with the actual costs.
  - 2.3.1.4 The job costing report **should** be reviewed bi-weekly.



## 2.4 Retained Earnings or Reserves

2.4.1 The organization **shall** maintain retained earnings or reserves sufficient to continue to conduct business in the event of reduced revenue for a minimum of two (2) months.

2.4.1.1 The organization **should** maintain retained earnings or reserves sufficient to continue to conduct business in the event of reduced revenue for a minimum of six (6) months.

2.4.1.2 It **may** do so via savings or other liquid assets or a combination of the stated.

## 2.5 Cash Flow Management

2.5.1 There **shall** be a plan to track and manage cash coming into and going out of the business.

2.5.1.1 Cash flow management **shall** include income and payment of fixed and non-fixed expenses.

2.5.1.2 Cash flow management **should** include the evaluation of available discounts and determination of cash flow availability.

2.5.1.3 Cash flow **may** be managed via savings, lines of credit, or other financing mechanisms.

## 2.6 Financial Controls

2.6.1 There **shall** be a policy governing financial controls to mitigate losses.

2.6.1.1 There **shall** be designated individuals responsible for reviewing monthly bank statements, credit card statements, payroll, taxes, purchase orders and payments.



3. **Production:** This section outlines the processes necessary to effectively deliver services and assure clients are satisfied with services rendered.

**3.1 Project Management**

- 3.1.1 Project management **shall** be handled by a production manager, project manager, or lead carpenter.
- 3.1.2 There **shall** be a structured and documented process for how projects will be managed addressing the following:
  - 3.1.2.1 Specific personnel who will manage the project
  - 3.1.2.2 Client communication
  - 3.1.2.3 Project schedule
  - 3.1.2.4 Material ordering schedule
  - 3.1.2.5 Change orders
  - 3.1.2.6 Cost control
  - 3.1.2.7 Quality control
- 3.1.3 There **may** be Standard Operating Procedures for production.
  - 3.1.3.1 There **may** be a policy on how these procedures will be implemented, reviewed, and updated.

**3.2. Trade (Sub) Contractor Management**

- 3.2.1 If the company uses trade contractors, there **shall** be a written plan addressing the following:
  - 3.2.1.1 Required federal, state and/or local licenses
  - 3.2.1.2 Required insurance
  - 3.2.1.3 Communication expectations
  - 3.2.1.4 Expected conduct at client sites
  - 3.2.1.5 When and how trade contractors will be paid
  - 3.2.1.6 Workmanship quality expectations and how quality will be evaluated
  - 3.2.1.7 How defects in workmanship or errors will be addressed
- 3.2.2 There **should** be a signed trade contractor agreement
  - 3.2.2.1 The trade contractor agreement **may** be reviewed and re-signed annually.
- 3.2.3 The contractor **may** require a lien release upon payment





**4. Human Resources:** This section addresses how the organization's most important asset, employees, will be managed.

**4.1 Organization and definition of duties**

4.1.1 Organizational Chart: The organization **shall** maintain an Organizational Chart outlining reporting relationships.

4.1.1.1 The chart **shall** identify various positions within the company.

4.1.1.2 The chart **shall** define reporting relationships.

4.1.1.3 The chart **should** include the names of the specific personnel in each role.

4.1.2 Job Descriptions: There **shall** be accurate and up-to-date job descriptions for every role within the organization.

**4.2 Employee Handbook**

4.2.1 There **shall** be a document outlining company policies which set forth company expectations of employees as well as employee rights and benefits. The employee handbook:

4.2.1.1 **Shall** be distributed to each staff member and redistributed upon modification

4.2.1.2 **Should** be reviewed annually

4.2.1.3 **Should** outline company expectations for employee conduct while on company and client property

4.2.1.4 **Should** address use of company property such as vehicles, equipment, tools and electronic devices

4.2.1.5 **Should** outline company work hours, vacation, sick days, medical leave, benefits, severance, etc.

4.2.1.6 **May** include supplemental policies requiring employee acknowledgment receipt.

**4.3 Training**

4.3.1 There **shall** be a formal training program

4.3.1.1 There **shall** be a formal health and safety training program.

4.3.1.2 There **should** be a professional development program.

4.3.1.3 There **should** be a formal training program for all personnel on company policies and procedures as they apply to their individual position.

4.3.1.4 All field employees **should** receive OSHA 10 training.

4.3.1.5 All field supervisors **may** receive OSHA 30 training.

4.3.1.6 At least one company representative **may** be RRP Certified Renovator

4.3.2 All training **shall** be documented with training dates and corresponding employee signatures included.

**4.4 Injury and Illness Prevention Plan**

4.4.1 There **shall** be an Injury and Illness Prevention Plan (IIPP) as defined by the Occupational Safety and Health Administration (OSHA) outlining the following:

4.4.1.1 Responsibility

4.4.1.2 Compliance

4.4.1.3 Communication

4.4.1.4 Hazard Assessment

4.4.1.5 Accident/Exposure Investigation

4.4.1.6 Hazard Correction

4.4.1.7 Training and Instruction

4.4.1.8 Record Keeping



#### 4.5 Hiring Practices

4.5.1 Recruitment: There **shall** be a written plan for how new staff will be recruited.

4.5.1.1 There **may** be an incentive program for employees to recommend new candidates.

4.5.2 Selection: There **shall** be a written procedure for selecting and vetting qualified employees.

4.5.2.1 All new employees **should** undergo a background check.

#### 4.6 Employee Retention

4.6.1 There **should** be a program in place to encourage and measure employee retention and engagement.

4.6.1.1 There **should** be an annual employee review process.

4.6.1.2 Annual employee reviews **should** be signed by the employee and their direct supervisor.

4.6.1.3 There **may** be an employee recognition program.

4.6.1.4 There **may** be an employee exit interview.



**5. Marketing and Sales:** This section addresses how the organization will attract and close new business via structured marketing and sales activities.

**5.1 Marketing**

5.1.1 Marketing Plan: There **shall** be a written marketing plan outlining the following:

- 5.1.1.1 Target project size, scope, revenue, and number of projects
- 5.1.1.2 Target client demographics
- 5.1.1.3 Marketing activities to be executed
- 5.1.1.4 Schedule of marketing activities
- 5.1.1.5 External marketing platforms to be utilized

5.1.2 The marketing plan **shall** be reviewed and updated annually at a minimum.

5.1.3 Marketing activity effectiveness **shall** be measured

5.1.3.1 There **should** be a lead qualification checklist that develops a lead profile.

5.1.4 There **shall** be a company website

- 5.1.4.1 There **should** be a lead capture mechanism.
- 5.1.4.2 There **should** be a call to action.
- 5.1.4.3 There **may** be a chat function.
- 5.1.4.4 Company and staff certifications and credentials **may** be listed.
- 5.1.4.5 There **may** be customer testimonials, including videos.

**5.2 Sales**

5.2.1 There **shall** be a structured sales process outlining the following:

- 5.2.1.1 Pre-qualification process
- 5.2.1.2 Presentation process
- 5.2.1.3 Follow-up process
- 5.2.1.4 Tracking process of new leads to close ratios
- 5.2.1.5 Handoff process from sales to design and production

**5.3 Estimating and Proposal/Contract**

5.3.1 For each project there **shall** be a proposal/contract provided to and signed by the client outlining the following:

- 5.3.1.1 Scope of work
- 5.3.1.2 Total cost of the project
- 5.3.1.3 Payment schedule and terms
- 5.3.1.4 Change order processes
- 5.3.1.5 Warranty information (if required or offered)
- 5.3.1.6 Required state and federal notices and information

**5.4 Client Satisfaction**

5.4.1 There **shall** be a client satisfaction monitoring process.

- 5.4.1.1 The organization **shall** carry out client satisfaction surveys post project completion
- 5.4.1.2 The organization **shall** have a written process to respond to negative feedback and work to bring resolution in a timely fashion
- 5.4.1.3 The organization **may** have a process to respond to all public reviews and comments
- 5.4.1.4 The organization **should** have a process to review client feedback and take appropriate action
- 5.4.1.5 The organization **may** use a third-party client satisfaction monitoring program