

# 10 THINGS TOP CONTRACTORS MUST DO TO GROW & INCREASE PROFITS!



BY  
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## TABLE OF CONTENTS

CHAPTER 1	TOP CONTRACTORS CHANGE HOW THEY DO BUSINESS TO GROW & INCREASE PROFITS!	3
CHAPTER 2	TOP CONTRACTORS HAVE A WRITTEN PLAN!!	8
CHAPTER 3	TOP CONTRACTORS KNOW WHERE THEY'RE GOING!	11
CHAPTER 4	TOP CONTRACTORS KNOW HOW MUCH PROFIT THEY WANT TO MAKE?	15
CHAPTER 5	TOP CONTRACTORS HAVE A STRONG MANAGEMENT TEAM!	20
CHAPTER 6	TOP CONTRACTORS USE STRUCTURED MEETINGS TO HOLD PEOPLE ACCOUNTABLE!	24
CHAPTER 7	TOP CONTRACTORS MAKE SALES A TOP PRIORITY!	28
CHAPTER 8	TOP CONTRACTORS TRACK THEIR SALES TARGETS & GOALS!	34
CHAPTER 9	TOP CONTRACTORS OFFER MORE THAN LOW PRICE!	38
CHAPTER 10	TOP CONTRACTORS BID THE RIGHT JOBS TO IMPROVE THEIR WIN RATIO!	43
	ABOUT THE AUTHOR GEORGE HEDLEY	47
	LET GEORGE HELP YOUR CONSTRUCTION BUSINESS GROW & PROFIT	48

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## CHAPTER 1

# TOP CONTRACTORS CHANGE HOW THEY DO BUSINESS TO GROW & INCREASE PROFITS

**A**s a construction business owner, I bet you're really good at doing work with pride, integrity, and quality workmanship. When asked, you tell people you're the best at what you do and stand by your finished product and personal service. You've spent years working hard, building your company, grooming your managers, developing supervisors and foreman, training your crews, and growing your equipment fleet. You have a small list of customers who keep your company busy and provide you steady work on an ongoing basis. Your business pays your bills and often there's a little left over to buy a boat or recreation vehicle to enjoy on the weekends. Life is good as an entrepreneur and business owner.

### **AND THEN THE ECONOMY GOT SLOWER. NOW WHAT?**

Never thinking a slowdown would affect your business, you continued to do business the same way you'd always done and hoped the economy got better. But it didn't and there were less jobs to bid on so you lowered your prices to stay busy and keep your crews and equipment working. Your good old customers didn't have much work and your competitors lowered their prices as project bid lists grew from three to six to fifteen or more. The only way you could get any work was to be 'stupid low' which guaranteed you'd never see any net profit for a long time. So you bid more and more jobs in hopes of landing any work you could find. You even tried bidding on projects where you had no experience, track record, or expertise. Anything to keep your doors open, your crews busy, equipment working, and cover your overhead.

Then you finally landed a few jobs. Relief! Back to work. But within a few months, these jobs started coming in over-budget as these projects are different than the ones you usually worked on and the unfamiliar contract clauses and specifications caused you grief. You had a tough time working with new customers. Your crews aren't very efficient and productivity was poor as they know there wasn't much new work for them when they finished the jobs they're on. So it started costing you money to finish the few projects you had going. And your paycheck was only a distant memory as you began to feed your company to stay afloat and keep unneeded employees and managers on the payroll as you hope to land some new work soon. Now what?

### **STOP! TIME OUT! HOLD EVERYTHING!**

What were you doing? Why were you slowly going out of business by spending your savings and trying to keep your crews and equipment busy? How long could you survive feeding your company every month? Did you think something good would happen quickly to renew your bank account balance? Would your long time employees help pay your monthly expenses as a thank-you for keeping them busy when you were totally out of money? Could your underutilized equipment fleet be able to produce enough cash-flow to survive? When did you finally stop and take a hard look at what you were doing before it was too late?

When work was plentiful, it was easy to stay busy doing the same things over and over with the same customers and project types. You didn't have to look for ways to improve your business, additional services to offer, or new customers to build relationships with. Just bid enough jobs to your same five or ten customers and you get your share, and make enough money to stay in business. The old saying: "A rising tide lifts all boats" applied during the good times.

### **WHAT WOULD YOU DO?**

While presenting a recent "Profit-Builder Circle" two day business owner boot camp, I asked the attendees what they could do to make a profit if they lost all of their current customers in the next few months. Most didn't have an answer. They were so used to doing the same thing and business the same way for so long, they were stuck. Most said they would just try to survive. Survive? Survive doing what? I again restated the question and asked them to consider that all of their sources of past business would be non-existent and they would have to do something different. Still no real good answers. Do you have an answer to the question?

As I started to dig deeper, David told us he was an underground utility contractor in Florida. Ninety percent of his customers comprised of track home builders and ten percent were public works and Cities. The good news was that over the last ten years he had built a large successful and profitable company doing over \$8 million in annual sales. He had over 25 managers and supervisors, 150 field employees, 100 pieces of equipment, a large yard, an equipment manager, two full time mechanics, and a net worth in excess of \$5,000,000. The bad news: his home builder customers had put all of their projects on hold indefinitely and he was now pursuing more public works projects to keep his equipment and crews working. On these projects, the bid lists had grown to over twenty bidders, and the only way he could win any contracts was to price lower than his actual costs. Plus his \$1,000,000 annual overhead expenses were starting to eat away at his net worth he had built up over the last five years. David didn't know what to do.

I asked David how long he would last waiting for something good to happen. He said he could probably hold on for at least a year. How much would it cost? He said he would lose at least \$2,000,000 per year trying to keep everyone working. I asked him if it was worth it to give up everything he had worked for just to keep his long time employees and managers working while his nest egg depleted. His simple choice: keep the money or give it to employees hoping the economy comes back fast. Not an easy decision. Then I asked what his equipment was worth. He said he could sell all 100 pieces of his equipment for \$5,000,000 net after debt.

### **WHAT MAKES YOU MONEY?**

Now the real question: Is David in business to put pipe in the ground, grow his equipment fleet, and pay his overhead expenses? Many business owners forget the purpose of their business is not to cover their costs, do work, and keep busy. It is to give them what they want. Do you want to only break-even by working hard, and keeping yourself, your crews, and equipment busy? Or do you want to own and build a company that produces a constant flow of money,

passive income, equity, wealth, and freedom to you as the owner? Your business is a tool to deliver the results you want and fulfill your investment as a business owner.

David and I discussed his options in detail. Keep doing what he had always done and watch his future disappear. Or consider a radical change. If he sold eighty percent of his equipment; reduced his overhead by 20 people to one project manager, an estimator, and a few office staff; and just kept a few crews working; he could stay in business at a reduced break-even level of \$1,500,000 in annual sales. That way, when the economy turns for the better, he could jump right back into the main business he excelled at and his company would be one of the last underground contractors still standing. Then he could take \$3,000,000 generated from selling his equipment and invest it. I suggested he start looking to buy under-market and under-valued fixer upper homes in good locations that could rent out easily to families at break-even lease rates. He could utilize his crews during down times and when work was slow to do the repairs and refurbishment on his rental properties.

David made a goal to sell much of his equipment fleet and invest \$3,000,000 to purchase 100 houses (100 houses @ \$125,000 average price = \$12,500,000 in value) within the next six months. If each home appreciated at least 25% over the next three years, his \$3,000,000 investment would reap him at least \$3,125,000 in net profit. This is a lot more than his construction company would have ever made, even in good times. David realized that his business was not the end, but a means to an end to ultimately get what he wanted.

### **STEADY INCOME IS GOOD FOR A CHANGE!**

Barry listened to our discussions. He owns a sheet metal fabrication construction company specializing in high-end metal work, stainless steel, copper, and custom work, as well as flashing and gutters for homes and industrial buildings. As the economy slowed, Barry didn't wait to take action and decided to get into the heating, ventilating, and air conditioning (HVAC) service business. Several of his key employees were competent in HVAC work as well as sheet metal construction. His estimators (sales people) were already calling on contractors, apartment builders, facility managers, restaurants, retail stores, and real estate developers. Most of these customers owned buildings that needed ongoing HVAC service. A perfect match to start a business that's recession proof as buildings need to be serviced regardless of the economy.

Barry's business plan was to build a HVAC service business directed at commercial buildings, facilities, and properties. He started by investing in his people and sent them to get certified by the major HVAC equipment manufacturers as trained service technicians. Then he moved two of his top managers into the role of customer service manager and business development manager. Three years later his HVAC service company generates over \$150,000 in recurring monthly revenue which contributes to help pay his overall company overhead plus his profit margin. Barry thought out of the box and looked for opportunities that would add to his overall business operation. He realized his thirty years in the sheet metal business wasn't the reason for being in business. He decided to do something about his future and invest in starting another complimentary business that would delivery steady returns every month.

## **STUCK = NOT GROWING OR MAKING ENOUGH PROFIT!**

Are you stuck and comfortable doing what you've always done? Haven't tried a new service, market, or customer type in a long time? Don't be afraid to get out of your comfort zone and look for ways to capitalize on what you've got to build your future. It's never too late or the wrong time to reassess your business plan and build a new and improved company that offers more, does more, and generates a steady stream of revenue. Look at your strengths, weaknesses, threats, opportunities, assets, people, customers, and marketplace. Look for opportunities and expand your thinking. Your only choice is to answer the question:

### **DO YOU WANT TO STAY BUSY OR MAKE MONEY?**

I received an email from a webinar attendee I presented a few months ago. He asked for some advice and closed his email with this semi-sarcastic comment: "I hope you are enjoying this economy!" It seems like everyone is looking for excuses to wallow in their sorrow and sad state of affairs. Yes, the overall business climate is slower in most markets and competition has gotten tougher. But, talking about how bad it is doesn't make it better. In fact, it justifies poor performance and makes it acceptable to have shrinking sales figures and lower profits.

## **WHAT'S HOLDING YOU BACK FROM GROWING OR INCREASING PROFITS?**

Too many cheap competitors? Not enough jobs to bid? Profit margins too low? Jobs bidding below your costs? Customers shopping your bids? Are these the real issues giving you the right to make excuses? Dave Jensen, President of Superior Structures, a general contractor located in the northeastern United States, was talking with me about the many challenges stopping their business from growing. He explained all the reasons why it was impossible to make any money and continued to make the same excuses most contractors make today.

After an in-depth phone coaching session, we discovered the real problem was his unwillingness to try new business, services, customers, and project types. Dave was afraid to venture out into new territories and implement new ideas. He didn't want to make drastic changes to his staff, sell any equipment, install new systems, or reorganize his field operations. He also didn't want to have to learn any new technologies or change his estimating templates. In other words, Dave would rather barely keep the doors open than get out of his comfort zone.

## **DO MORE TO EARN MORE!**

I was helping Justin, owner of Excell Paving with their strategic business plan. Their formula to generate revenue consisted of waiting for the State Department of Transportation to issue construction and road projects to bid. They figured if they bid enough projects, they could continue making money and growing their business. Then the recession hit, the stimulus money ended, the State's workload diminished, and their competition increased. Now what?

Thankfully, during our coaching sessions, Justin had decided to design and start a new site maintenance division for his company in anticipation of the economic slowdown. Their new division's goal is to work with public and private property owners on annual contracts. This new type of work for Excell includes 24 hour on-call services for emergency repairs, weed and

debris removal from storm drain channels, slope failure remediation, pothole repairs, temporary sandbag installation, parking lot sweeping and cleaning, and asphalt patching.

This new division required more business experience than Excell's current project managers had to be successful. It required a full-charge executive and business development leader who was well versed in salesmanship plus technical engineering issues, managing multiple service accounts, and annual contracts. In order to make this happen, the owner hired a vice president from outside the company who had similar experience growing a service business to start the new division. Good news! This new division, in less than one year, has created a continuous revenue stream which has made up the slack caused by fewer State construction projects to bid.

### **IDENTIFY WHAT'S HOLDING YOU BACK!**

If you are currently facing similar problems, you are not alone. Start by identifying the external and internal obstacles, or excuses you face:

- What's stopping your company's progress?
- What makes changing your strategy so hard?
- What do you need to do to achieve your goals?
- Why haven't you made changes you know you should?
- What additional knowledge do you need to succeed?
- What do you gain if you don't change?
- What's your worst case scenario?

After you answer these questions, take a hard look at the circumstances holding your company back from growing or making a profit. Then look even deeper at your willingness to change how you do business. Change is not easy. If it was, you would have already have done it!

### **TO GROW YOUR COMPANY, YOU NEED HELP!**

You can't do twice as much as you're currently doing and do it well. You need to hire someone to either do your job, or the new job you are creating. Adding new project types, customer targets, or a service division requires different management and sales skills to generate customers and direct the workflow than a running a construction company. One way to start a new business within your business is to hire someone who has proven experience building and growing a profitable or division. Another idea is to buy a territory from a franchise company that already has the systems and training in place. Either choice you make, it will take another key manager to make it happen. You can't do it yourself, unless you are superman!

### **NO EXCUSES!**

It's easy to tell someone else what to do. It's difficult to make tough choices about your own future, especially when you try to do it alone. Get some advice or coaching. Ask your mentor. Talk to another successful businessperson you respect. But in the end, you make the ultimate decision about your company:

**GO BACKWARDS, STAY PUT, OR MOVE FORWARD!**

## CHAPTER 2

# TOP CONTRACTORS HAVE A WRITTEN PLAN!

**E**ver wonder why only a very small number of companies continue to grow while most eventually get stuck at the same level year after year? What is a common thread these top construction companies have the other 95% don't? Is it their owner, management team, people, strategies, systems, finances, marketing, or operations? The answer is 'Yes!' All of these, and more. The 'more' is the ability of top companies to focus on and identify what works, what doesn't, opportunities for growth, and then strategically decide the best path to get where they want to go. And create a written action plan to implement these strategic actions.

These top companies take time to sit down to develop and update their Strategic BIZ-Plan every year. The preferred format is to get their management team out of the office for an uninterrupted one or two day retreat facilitated by a professional strategic plan facilitator or business coach. The end result is a formalized written plan that offers a roadmap for the upcoming 6 months to three years complete with goals, targets, strategies, accountable managers, and deadlines for completion of each strategy. Additionally, on a monthly and quarterly basis, management teams will have a blueprint to follow and update as each strategy is worked on, implemented, accomplished, and completed.

### **STRATEGIC BIZ-PLANNING RULES**

To get started with your strategic planning process, consider these steps to success. First and foremost, the management team must be able to share their ideas and comments in an open and non-judgmental forum. Everyone must be treated equal and no ideas are to be considered stupid or inappropriate. The key is to encourage the maximum sharing and collaboration of thoughts and opinions. When the business owner tries to facilitate these sessions, managers and key employees tend to hold back their true thoughts, feelings, and suggestions. This is why investing in a neutral facilitator will provide the biggest return on your time and money.

Too often weak leaders postpone making strategic decisions until later or never as they hope things get better or they avoid conflict. The strategic planning retreat is the perfect time to get a consensus on new strategies, changes, tough decisive actions, and directions. The team should be allowed to provide lots of input on where the company should go, and the leader must then call the final shot for all to follow and get onboard with. After the session, every team member must follow the decisions and do everything possible to make the updated strategic direction become a reality without complaints or compromise.

### **WHY ARE YOU IN BUSINESS?**

Before you can begin the strategic planning process, the business owners and stockholders must answer the question: 'What is the purpose for our business?' Your business purpose is to

give the owners what they want. Some owners are satisfied with staying small, making little or no profit, not rocking the boat or avoiding changes, keeping poor performers, or don't want to take on additional risk in order to grow. In a publicly traded company, owners want their stock to grow in value and company to make a high return on investment by adding new customers, attacking new markets, developing new strategic alliances, or purchasing new businesses. Determining what the owners want is the first step to building a business plan.

### **WHERE DO YOU WANT TO GO?**

Thinking about the big things the owners want to accomplish over the next three to five years comes next in the process. Think about products, services, size, number of locations, projects, customers, revenue, sales, growth, risk, investment, profits, distributions, equity, organizational structure, market area, management team, leadership, employees, overhead, operations, equipment, stock ownership, and the owner's role.

### **WHAT ARE YOUR KEY SUCCESS FACTORS?**

Next make a list of the important things, key tasks, factors, and milestones your company must excel at (or do better than they are currently doing), in order to succeed and achieve the business's purpose. Don't forget to include: profitability, sales, people, costs, productivity, efficiency, systems, customer satisfaction, scheduling, equipment resources, market share, adapting to a changing business environment, cost estimating, pricing, competitiveness, image, marketing, business development, sales, safety, and pro-active planning.

### **WHAT ASSUMPTIONS MUST YOU MAKE?**

In order to build a plan, you must make several assumptions about the future of your marketplace, the economy, and the opportunity to do business in your area. Some things to consider include: the economy, customers, competition, potential revenue, customer selection criteria, pricing trends, changes in contract methods, key personnel, qualified workforce, financial conditions, technology, or any other changes you want to anticipate or plan for.

### **WHAT'S YOUR MISSION?**

Your mission statement is a concise sentence or short paragraph which clearly outlines why you are in business, what you do best, your ideal customers, products and services, and how you do business. An example of a simple but effective mission statement: "The mission of Hardhat Construction Company is to be the leader in private healthcare construction in our County by providing superior workmanship using quality methods, equipment, materials and well-trained employees in an ethical, safe, efficient, competitive, and profitable manner."

### **WHERE ARE YOU TODAY?**

Next list out and identify how you currently do business including the type of projects, services, products, customers, contracts, contract sizes, profitability, market area, management, operations, organizational structure, chain of command, operations, equipment, and systems you use and operate with.

### **DOES YOUR BUSINESS WORK?**

By making a list of what works well in your company, you'll be able to focus on what needs improvement in order to grow and profit. List out your internal strengths and areas of excellence. Then write out all the areas in your company that are not working, can be improved, are challenging, or impede progress to hit your goals. These can include things you should or need to change, internal issues, or weaknesses.

### **WHAT ARE YOUR THREATS OR OPPORTUNITIES?**

As you build your Strategic BIZ-Plan, take an objective look at the external treats or challenges that currently face your progress or new challenges you might anticipate in the future. These could include inflation, recession, tougher regulations, or additional competition entering your marketplace. Also look into the future to identify new exterior or outside business opportunities, additional revenue sources, or new services you could provide which are appearing on the horizon your company hasn't pursued or entertained to date. Explore what else your company could do with its' resources, people, connections, and market.

### **DO YOU HAVE WRITTEN GOALS & STRATEGIES?**

The ultimate reason to invest in strategic planning is to develop and write out goals and strategies to make your company become successful. In other words: how you get from where you are now to where you want to go. The best way to set strategic business goals is look at your strengths and weaknesses, and match them to threats and opportunities.

First develop defensive goals by correcting your current internal weaknesses to counter external challenges. For example, implement a cutting-edge technology program to push against the requirements of customers demanding more and more information and communication. Next set goals to exploit your strengths to seize the new and exciting outside business opportunities appearing on the horizon. For example, match your strong business development program and loyal customers to increase your service business division in a customer driven and increasingly competitive market. And of course, complete your goals setting session by looking at your weaknesses to develop targets and strategies to improve your company including: sales, marketing, systems, operations, production, management, employees, training, safety, accounting, finance, technology, and investments.

### **WILL YOU MAKE IT HAPPEN?**

The most important part of the strategic planning process is achieving the goals you want to accomplish. Prioritize the goals, assign a responsible key manager to captain each goal, and set a deadline for implementation and completion of each goal. Encourage the captains to pick their team members from managers and employees who will help them develop action plans and implementation strategy. Finally, select a regular monthly company strategic planning meeting date to review the progress on each goal.

Get a huge return on your Strategic BIZ-Planning investment and become the best in your class by staying focused on the big picture, making your captains accountable, and working together as a team to get your business to work the way you want it to.

## CHAPTER 3

# TOP CONTRACTORS KNOW WHERE THEY'RE GOING!

**B**usiness owners, leaders, and managers continue to be stuck in the past. They fail to realize by squeezing out the last drop of productivity, cutting their overhead to the bare bones, trying to cut costs, working harder, and continuing to do business the same way with the same old customers, won't cut it today. When companies don't get the bottom-line results they want, it's not the competition, the economy, or their people, it's usually the leader getting older or set in their ways and not willing to try new ideas!

### **THE BUCK STOPS WITH THE LEADER!**

The company President as the leader is 100% responsible for everything: sales, profits, growth, quality, customer service, how organized the company is, people, management, etc. Poor leaders blame poor or stagnant results on circumstances beyond their control. Most leaders sit and wait for the economy to turn around, or some other miraculous event, while they don't do anything different or decisive. Leaders have to make it happen. Now!

### **NO VISION = NO RESULTS!**

Look at Sears. They can blame their slow death on Wal-Mart, K-Mart, or whatever they want to. But in reality, the leaders of Sears were stuck in the past and made decisions to stay the course, do business the same way they always had, and not change their business model. The leaders hoped their new competition would go away. The leaders didn't do what they needed to do. No vision. They got eaten alive and now continue to scramble to keep up with their competition. It won't happen. It's too late.

### **CHANGE ME FIRST!**

Getting great results is the main indicator of the leader's vision and performance. Real leaders make quick decisive decisions to change how they do business to get results. Most leaders don't walk into their office on Monday morning and say, "I've made a big decision, I've decided to change me, how I manage, how I lead, and the direction of our company." Poor leaders walk into their office and say, "Why aren't you making it happen? You've got to work harder. You've got to get this done now." Leaders must have the courage to change themselves first. They have a mission, try new ideas, change *their* behavior, change markets, do business different than their competitors, innovate, try new methods, and go against the grain.

### **ARE YOU PROFIT-DRIVEN?**

I speak at a lot of conventions to entrepreneurs, small to medium size businesses, construction company owners, and manufacturing companies. Their common business challenge is how to make an above industry average profit. Making good profits and getting bottom-line results

start with the leader having a dynamic and focused vision people can get excited about. People want to be a part of something exciting and will follow leaders on a mission.

Profit-driven leaders stand up and say,

**"HERE'S WHERE WE'RE GOING & HERE'S HOW WE'LL MAKE IT HAPPEN."**

Something people can really, really get excited about, instead of the standard: "Work hard and we'll see how it comes out; and if we do well, maybe we'll give you bonus or a raise." People get tired of repeating the same tasks over and over again without any excitement, vision, or passion from leadership - like digging a long ditch. And, when they're done, they just get another ditch to dig. Then they'll find some more ditches. This doesn't make people excited about coming to work and making a difference in the bottom-line.

### **WHAT'S YOUR VISION?**

Profit-driven leaders start with an exciting focused vision and then connect it to specific results they want. Some companies have a vision to be the best company, the best contractor, the best service provider, or provide the best quality. While that's an O.K. vision, it's not exciting. Examples of exciting visions: be recognized as the area leader in customer service, being number one in building difficult technical projects, finishing jobs faster than your competition, or being known for helping your customers make a profit.

### **WHAT'S YOUR SPECIFIC TARGETS?**

After defining your exciting vision, specific results must be targeted to quantify exactly what's expected. For example, if your vision is to be the best service provider, determine what specific measurable results would enhance your bottom-line. Some targets may include: a referral from every customer, only five percent callbacks, no installation errors, or 98% on-time completion. What specific targets and numbers can you shoot for to realize your vision & get the results you want? Without specific clear targets, your people really don't know what 'try to do quality work' or 'be the best' really means.

Ask the people who work for you, "What's the vision of our company? What are we trying to accomplish? What are our top three priorities? What specific targets are we shooting for? What results are important?" You'll get 37 different answers if you have 37 people working for you. To get the results you want, get everyone on the same page from top to bottom. Leading and getting the results you want starts with yourself. Change, innovate, and try new ways of doing business. Communicate your clear exciting vision. Define specific targets with expected results.

### **DO YOU AIM AT ANYTHING?**

Most companies, managers, project teams and field crews don't have a clue when they hit a homerun or do a good job. Employees are told to 'do your best,' or 'work as hard as you can,' but not given specific milestones to shoot for. Most companies and managers never sit down and write out their company or project goals before they start a new job. And then, feedback

and review of success or failure is rarely discussed with those who actually do the work. These facts and more were discovered based on a recent survey I conducted with over 2,000 construction industry companies.

You may know exactly what your profit and sales goals are. But, only 46 percent of companies surveyed set and track progress towards their annual profit and sales targets. The rest must just try to do as much as they can and stay satisfied with whatever they get. Do you have specific written targets for every area of your business? *You are in the majority if you don't.* The survey shows only 30% have clear targets for their overhead budget, 24% for safety, 17% for customer service, 12% for employee development, 8% for repeat customers, and 6% for bid-success ratio. This lack of targets affects everyone from the top down: less than 29% say their **field employees** have specific written goals for any area of their work.

### **BASEBALL WITHOUT BATTING AVERAGES?**

Can you imagine a baseball team where the coach didn't have a team goal for winning games, and players didn't have individual goals for hitting, fielding, or pitching? Sadly, most companies send their teams onto the field without targets to aim for. At the project level, only 40% set clear goals for job profit, 30% for schedule, and 29% for productivity. Even in companies who do set goals, only 38% ever tell their employees what they are! The result: most management, field, and administrative players don't know when they get a hit or make an error, what's a good batting average, or if they win the game!

### **AIM AT SOMETHING!**

The truth is that people who have written goals are twice as successful than those who don't. The first step to success is simple: just write your targets down! To set your goals use my 'swat.com' method:

**S**    **SPECIFIC**  
**W**    **WRITTEN**  
**A**    **ATTAINABLE**  
**T**    **TIME-DEADLINE**  
**.**  
**C**    **CHALLENGING & CLEAR**  
**O**    **ON-PURPOSE. . .ON-TARGET**  
**M**    **MEASURABLE**

Start with your overall company goals, then write project and individual goals. If a company goal is to finish every project on time, each project must have written goals with specific action steps. Use this example to set your goals:

<b>Project Goal:</b>	<b>Finish project on-time</b>
Deadline:	Complete project by July 31 <sup>st</sup>
Action step #1	Get project team together
Action step #2	Identify resources and responsibilities

Action step #3	Set project team meeting schedule
Action step #4	Implement weekly field review
Action step #5	Track progress weekly & adjust resources

Incorporate goals into your company mindset. If your priority is to stick to a schedule, make sure your team knows it's a priority and what the milestones and deadlines are! Otherwise, it is too easy to get sidetracked by "urgent" job problems and miss your targets.

**YOUR #1 PRIORITY IS TO KEEP YOUR # 1 PRIORITY YOUR #1 PRIORITY!**

### **SET WEEKLY TARGETS**

Use Monday morning team meetings to get your people together and stay on target. Set weekly goals, write them down and give each team member a specific target to hit, regardless of their position. For example, to stay on schedule for this week, dig 500 lineal feet of pipe, or complete all touch-up painting for the project, or get all outstanding change orders approved by Friday.

### **SET MONTHLY GOALS**

Get your team together monthly to review progress on your targets such as customer satisfaction, quality, safety, productivity, profit, and schedule. Also consider setting goals for general conditions, estimated job costs vs. final costs, and labor and equipment budget vs. actual.

### **SET PRE-PROJECT MILESTONES**

Before you start a project, get the estimator, project manager, field superintendent, and foreman together to set overall project goals. Hold a pre-job team meeting to discuss the targets and get everyone on the same page. From there, follow up with weekly and monthly project team meetings. At the end of the project, hold a general review meeting to decide where you can improve and refine your goals for the next project.

Aim at something, write it, track it, communicate it, and hit it out of the park every time!

## CHAPTER 4

# TOP CONTRACTORS KNOW HOW MUCH PROFIT THEY WANT TO MAKE?

**A**nswer this question: *'How much profit should we make?'* I'll bet your answer was one of the following: - *"5%, 10%, or 15%. More! As much as I can get!"*

Most companies shoot for moving targets by attempting to make 'as much money as possible' or 'more' than they are currently making. *'As much money as possible'* is **not** a target. *'More!'* More than what? These are not clear targets or goals. 5%, 10%, or 15% are not clear targets either. As your sales and job costs vary each month, your total markup earned changes, while your fixed cost of doing business remains the same. This causes your net profit to move up and down like a roller coaster.

### **SHOOT FOR NOTHING & GET NOTHING!**

After hearing me speak, a young contractor asked me for advice. He told me his five year goal was to work too hard, make every decision himself, put out fires, keep his crews busy, be totally stressed out, not make enough money to hire the best people, get hopelessly in debt, and make no money. And, the bad news was he had achieved his goal! I am not impressed with people who are busy, overworked, underpaid, or boast about their latest sales conquests. I admire organized companies that hit their specific bottom-line profit goals and make the expected return for the risk they take.

A specific annual sales target of \$3,000,000, an overhead target of \$400,000 and a net profit goal of \$120,000 are specific fixed targets you can shoot for and hit. Not More! Not as much as possible!

- What is your annual **sales** target?
- What is your annual **overhead** budget?
- What is your annual **net profit** goal?

### **ALWAYS MAKE A PROFIT!**

The goal in business is *not* to stay in business or keep your crews busy. The goal of business is to *always make a profit*. According to a latest Construction Financial Management Association study, companies who have specific strategic plans with clear targets and goals make 33% more profit than companies without targets. According to Concrete Construction magazine, only 33% of all contractors actually make a profit every year.

### **RUN YOUR COMPANY LIKE A BUSINESS!**

When I present my program "Nine Numbers Every Contractor Needs To Know To Always Make a Profit", I repeatedly learn most small and medium size general contractors and subcontractors do not run their companies like a business. A "business" has a business plan, sales goals, job cost

goals, an overhead budget, and profit goals. A "business" pays its president or owner a fixed and reasonable salary every month (plus year-end bonuses from the net profit). A "business" prepares monthly financial statements, profit and loss statements, income statements and balance sheets. Most importantly, a "business" makes a profit!

### **GET A RETURN ON YOUR INVESTMENT!**

If asked to invest \$100,000 in a friend's new start-up construction business, what annual return would you want? - 10%, 15%, 25%, or more? After considering the risks, I would never invest in a new construction business that didn't offer at least a minimum of 15% to 20% annual return on investment. Your fixed cost of doing business (overhead) is an investment in your future ability to make a profit as well. Every year you decide what overhead costs you will need to run your business. You staff accordingly, rent an office, seek jobs to bid, and hope enough business comes in to make a profit.

### **AIM AT A FIXED TARGET!**

Likewise, you must also make a minimum return on your fixed overhead investment you commit to in advance every year. Construction companies should make a 20% to 25% minimum return on overhead expenses every year. If your annual overhead is \$400,000, you should expect a minimum net profit pre-tax of \$80,000. Remember this is the minimum! The minimum to me is way too low to shoot for. I recommend aiming at a target of 40% to 50% return on overhead as a higher target to hit. For example if your overhead is \$400,000, your pre-tax net profit goal would be \$160,000 to \$200,000. Now you have a minimum target and a higher target to shoot for. These are specific goals you can aim at and then track your progress.

### **WHAT'S YOUR FIXED COST OF DOING BUSINESS?**

First determine your fixed cost of doing business or annual overhead costs. Overhead costs include everything you need to run your business without any jobs under construction.

#### ***Overhead Costs Include:***

- company management
- administration & accounting
- estimating
- marketing & sales
- your office & utilities
- computers & supplies
- all non-job charges business costs

Job costs are not a part of your overhead and include everything that occurs out in the field or on the jobsite and must be job charged. Your job costs should include:

- project management & supervision
- pro-rata share of owner for project management or supervision time
- all field labor, field labor burden & fringe benefits
- field workers compensation insurance
- liability insurance for jobs & labor

- field trucks & equipment
- subcontractors
- material

A typical \$3,000,000 construction company's overhead is shown in the example below. Your task is to calculate your accurate fixed annual cost of doing business. This is the 'nut' you have to crack before you can break even every year. Always include a fair and reasonable salary for the owner or president of your company. If your owner runs some jobs, split his or her time between overhead and job costs such as project management or supervision. Also, field labor job costs must include workers compensation insurance and liability insurance. These are not overhead charges as they don't occur unless your field crews are working on jobs. Be sure to put those costs into your job costs and not into overhead. Another mistake I see is putting all of your company vehicles into your overhead. Most vehicles are used out in the field and should be job charged including the insurance, gas, and maintenance.

## ANNUAL OVERHEAD

(Fixed Cost Of Doing Business) Fixed Expenses

**Salaries** (Includes Burden & Fringes)

- <b>President</b>	<b>\$ 80,000</b>
- <b>Estimating</b>	<b>\$ 70,000</b>
- <b>Administrative</b>	<b>\$ 45,000</b>
- <b>Accounting</b>	<b>\$ 45,000</b>
<b>Vehicles</b> - Non Job Charged	<b>\$ 15,000</b>
<b>Facility, Rent &amp; Utilities</b>	<b>\$ 25,000</b>
<b>Office Supplies &amp; Equipment</b>	<b>\$ 15,000</b>
<b>Telephone, Shipping &amp; Postage</b>	<b>\$ 10,000</b>
<b>Estimating &amp; Bid</b>	<b>\$ 10,000</b>
<b>Marketing &amp; Promotion</b>	<b>\$ 10,000</b>
<b>Insurance</b> - Office Only	<b>\$ 20,000</b>
<b>Interest &amp; Banking</b>	<b>\$ 3,000</b>
<b>Accounting</b>	<b>\$ 10,000</b>
<b>Legal &amp; Professional</b>	<b>\$ 10,000</b>
<b>Technology</b>	<b>\$ 10,000</b>
<b>Service, Closed Job &amp; Warranty</b>	<b>\$ 12,000</b>
<b>Miscellaneous &amp; Other</b>	<b>\$ 10,000</b>
<b>TOTAL ANNUAL OVERHEAD</b>	<b>\$ 400,000</b>

## MARKUP AND GROSS PROFIT

To make a profit after paying all of your overhead costs and job costs, you must know the markup and gross profit you can make in the market you compete. For starters, be aware of the difference between markup and gross profit. **Markup** is the percentage you markup your job costs when bidding a job. **Gross profit** is the total overhead and profit you make as a percentage of total sales.

One of the best ways to determine the markup and gross profit you can expect in your competitive market is to look at your trends on completed jobs. Keep a completed jobs chart handy and updated at all times. Include the start date, job name, project manager, superintendent, foreman, contract amount, bid markup, final actual markup you made, and the gross profit percentage you actually made after project completion. Study the competition and economy trends to determine what sort of markup you can hope for on future jobs based on what you have been getting.

**COMPLETED CONTRACTS**

<u>Start</u>	<u>Job</u>	<u>PM</u>	<u>Supt</u>	<u>Fore</u>	<u>Contract</u>	<u>Markup Bid %</u>	<u>Markup Final %</u>	<u>Gross Profit Final %</u>
2/12	A	JP	BD	HG	\$100,000	22.0%	20.0%	16.67%
4/17	B	PS	CT	MK	\$150,000	16.0%	15.0%	13.04%
6/21	C	FV	WR	PL	\$ 75,000	20.0%	22.5%	18.37%
8/13	D	JP	PF	SD	\$125,000	18.0%	17.5%	14.89%
9/14	E	PS	MN	CF	\$ 50,000	20.0%	25.0%	20.00%
Average					\$100,000	19.2%	20.0%	16.67%

**VOLUME AND SALES GOALS**

You are now ready to determine what your sales target you must hit to achieve your net profit goal. You know your fixed cost of doing business or annual projected overhead. You have a pre-tax net profit goal of 20% to 40% return on overhead. You are tracking the trends of your completed jobs and are aware of the markup and gross profit you can get in the marketplace you compete. Now it's time to figure out how much volume you need to hit your goals.

**7 STEP FORMULA TO ALWAYS MAKE A PROFIT**

		<u>Low Goal</u>	<u>High Goal</u>
1. Fixed Annual Overhead		\$ 400,000	\$ 400,000
2. Return On Overhead Goal		X 20%	40%
3. Annual Net Profit Goal (Pre-Tax)	(1 X 2)	= \$ 80,000	\$ 160,000
4. Projected Gross Profit (OH & P)	(1 + 3)	\$ 480,000	\$ 560,000
5. Average Total OH & P Markup Projected		20.00%	20.00%
6. Average Gross Profit Projected		/ 16.67%	16.67%
7. Annual Revenue Goal	(4 / 6)	= \$ 2,879,424	\$3,359,328

Looking at the 7 step formula to always make a profit shown above, the company's annual overhead is projected at \$400,000. The return on overhead goals are 20% minimum with a high target of 40%. This gives the company a minimum pre-tax net profit goal of \$80,000 and a high goal of \$160,000. This will require a total gross profit to achieve the overhead and profit targets of \$480,000 and \$560,000 accordingly. By studying completed contracts and looking at the

market trends, the company determines they can achieve a 20% total overhead and profit markup and a 16.67% gross profit margin. To determine how much sales they need to hit their goals, divide the total gross overhead and profit projected (#4) by the gross profit percentage anticipated (#6). ( $\$480,000 / .1667 = \$2,879,424$  annual sales at an average markup of 20%)

This is the best way to determine the total sales you need to hit you goals. Companies without precise overhead and profit goals never make enough money and probably won't make a profit. It's hard to hit a fuzzy target that doesn't exist and moves around. Companies who track costs, target profit, control overhead, watch what they keep, are organized and in-control, stay one-step ahead of their competition.

Fix your overhead, set clear profit targets, and then shoot for the revenue you need at the markup you can get to achieve your goals. Keep targets in front of you all the time. Share them with your people. Track your progress. Make it happen. See you at the bank!

## CHAPTER 5

# TOP CONTRACTORS HAVE A STRONG MANAGEMENT TEAM!

Lots of construction business owners want to grow their companies, but can't. They usually get stuck at a certain size and stop growing for many reasons. Trying to work harder and smarter doesn't solve the problem and they eventually reach their maximum level of what they can do without hiring more people than they already have. Why? Business owners try to do too much themselves, won't let go, want to delegate but don't, and can't decide how or who to hire.

Another common problem occurs when owners micro-manage and control every decision throughout their business operation. They don't let their people make decisions without checking with them first. Companies also can't grow when the owner has their finger on every decision including: scheduling crews and workers, ordering materials, buying equipment, meeting with customers, deciding which vendor or subcontractor to use, approving change orders, doing every cost estimate, determining the final markup on bids, presenting every proposal, reading and reviewing every contract, approving all invoices for payment, determining how much money every employee makes, and the list goes on and on. When these control-freak business owners hire people and then don't let them do their jobs, be accountable, or take on responsibilities, the company can't and won't grow.

### **DON'T HIRE CHEAP & HOPE IT WORKS OUT!**

Frustrated and going nowhere, stuck business owners finally make the big decision to hire an experienced manager with a strong resume, so they can let go of a small part of their kingdom. Unfortunately, their first instinct is to move someone from within the company into this key position who has little or no experience or skills in the area they need the most. After trying this approach for a short time without any luck, they tend to want to hire a lower paid assistant, untrained field supervisor, junior project manager, or an estimator with little experience in the type of work they need. Or even worse, rather than taking the time required to find the right person for the job, they attempt to hire a relative, family friend, or in-law who is out of work and seems likely they might be able to do the job.

These poor decisions won't help companies move to the next level. The real reason for making poor hiring decision is to save money or avoid the time and energy required to hire and pay for the perfect key employee or experienced manager. So rather than do what is right, they hope this easier, more comfortable, weaker, and less expensive choice will work out. You know what happens when you hire untrained cheap people with little or no senior management experience to assist you? You spend all your time trying to keep them busy, answering their questions, helping them do simple tasks, and training them. In other words, you do your job plus theirs, which causes you to work more and achieve less!

## **DESIGN YOUR FUNCTION CHART**

Most company organizational charts show who reports to whom. They don't show who is **100%** accountable and responsible for getting the work done and achieving results. They also don't layout all the tasks and functions required to make your company achieve its' goals and objectives. The best way to organize your company is to draft a **BIZ-Function Chart**. To do this, take out a large piece of flip chart paper and layout all the tasks and jobs that have to be accomplished in your company, from finding work, to doing work, to keeping track, to administration, and managing your company. Layout your BIZ-Function Chart with these function headings across the top of the page:

- Find Work – Sales & Business Development
- Do Work – Operations
- Keep Track Of Work – Financials
- Company Administration
- Company Management

Now using one 'sticky note' for each function or work activity required in your business. Determine and list out every task needed to accomplish what your company does. After brainstorming and completing this exercise, post these tasks beneath the function headings in logical order of how you get things done.

For example, under the 'Do Work' heading would be the project management responsibility. A full charge project manager handles lots of work requirements including: procurement, negotiating subcontracts and purchase orders, writing contracts, project documentation, correspondence, customer meetings, change order management, preparing and updating job budgets, approving and updating job schedules, drafting progress payments, approving invoices, meeting contract requirements, making the job profit goal, meeting the project schedule goal, customer satisfaction, and many other responsibilities.

## **WHO'S ACCOUNTABLE & RESPONSIBLE TO GET THINGS DONE?**

After your BIZ-Function Chart is completed, the next step is to assign people who are **100%** accountable and responsible for each of the work tasks listed. This is tricky. If the construction business owner allows his project manager to draft the subcontracts, but not make the final decision on the price or the selection of the subcontractors without checking with him first, then this task needs to be broken down into two or three parts: draft contract, approve subcontractor, and negotiate final contract amount. That way you can enter the two names responsible and accountable for these different tasks and responsibilities.

Next create an accountability and responsibility chart listing out all of the functions in your company. Assign the appropriate person who is the 100% accountable and responsible person for each task and business function.

## **YOU CAN'T GROW UNLESS YOU LET GO.**

The more you do for your people, the less they do for you. And the more you do, the less you make. After looking at how your company really works and how many places you are actually managing, micro-managing, or responsible for, decide what you want to delegate and let go of. Determine which areas you should do based on what you do best and will get the highest return on your time for your company's bottom-line. Almost always, the company owner should stay involved with the finding work functions. By deciding what you want to do, don't want to do, and should do, you can then create a new job description and management position for someone to take over those tasks, decisions, accountabilities and responsibilities you want to delegate 100%. Only this action will allow your company to grow.

### **LET GO TO GROW & MAKE MORE DOUGH!**

Business owners need to get a huge return on their time. Every year, your company sells, creates, performs, builds, produces, or manufactures products or services. So, you don't have extra time to waste sweating all the small stuff. But you need great people who do! When entrepreneurs start their companies, they take care of everything themselves including hiring, supervising, purchasing, marketing, selling, pricing, managing, paying bills, and doing the work. You name it, if it has to be done, they do it! Often until the wee hours of the night.

To allow their companies to grow, many small business owners hire the best people they can find: their family and friends! Not the best idea, as it's hard to build professional companies with inexperienced people who don't respect their bosses. As they continue to gain more customers, more people are added to the staff. With more employees, they soon learn how hard it is to find anyone who'll do work exactly the way they want it done. Nobody seems to care, be accountable or accept responsibility - except the boss.

When this happens, pressure mounts and many companies have trouble keeping good people. Hire people, put them to work and then watch them leave within the year. Not a good thing for the bottom-line! Your job description changes from business owner to personnel complaint department. The business owner continues to search for answers to the people problem and look everywhere for the magic fix. Then fully frustrated, he tries a new approach: let go of daily decisions and try to delegate. But this is too uncomfortable so he takes back control again.

Remember to hire the best, to become the best. Hire based on what you will need to grow your company, not what will save you the most money. Take a risk on paying more than you're comfortable with and you'll be surprised how well things turn out. Hire cheap and I guarantee you'll not get what you want, you'll be disappointed, and facing the same tough decisions all over again in the near future.

### **LOOK IN THE MIRROR!**

So, what's holding your company back? Is it you? Perhaps you are the real problem as you continue to control everything and everybody. This poor leadership style holds people back from accepting responsibility and becoming accountable. When you make every decision, people can't and don't take on more responsibility. When you fix or solve problems for employees, they can't be accountable. When you lead every meeting, managers don't grow.

When you approve every purchase, contract or strategic move, good people don't have to think or be their best. The more you control, the less employees perform. When you solve other people's problems, they bring you more problems. But it makes you feel powerful when you control everything for everyone and wear a sign that says: "Bring me your problems."

When a customer calls with an issue, do you immediately handle it yourself and get right back to them? A better solution would be to listen and then turn your customer's concern over to a supervisor or manager. When it's time to make a major purchase or award a large contract, do you get right in the middle of the negotiations? Instead, ask your manager to review the proposals, analyze the inclusions and exclusions, negotiate terms with the lowest responsible company, and then get your final approval. When a supervisor asks you to call a supplier who isn't performing, do you jump in and take charge? Train your supervisors to plan ahead, use written procedures, checklists, schedules, team meetings, and manage their workflow. A simple delegation strategy is to increase the maximum spending limit for all employees. Delegate by allowing them to spend at least \$1,000 or more before they have to get the boss's approval. The key is to stop making decisions for them!

### **LEAD TO GROW!**

Performance and getting results are the top indicators of effective leadership. No performance or results equals poor leadership. When you control the work, hold your people back, and constantly tell them what to do, you hurt your company's growth and profit potential. An effective leader's role is to inspire others to perform at higher levels and maximize results. Your job is to lead, not do. When you worry about every little detail and do the work yourself, you waste a valuable resource – **YOU**.

What's your time worth? When you do \$10 per hour work, you aren't even earning \$10. If your company needs to bring in \$2,000,000 annually, you only have 2,000 hours to make it happen. Therefore, you're responsible to create at least \$1,000 per hour doing significant tasks that will impact your bottom-line. Stop doing work. Spend your time leading your company; building customer relationships; seeking new business opportunities; and motivating, inspiring, coaching, and leading your people.

## CHAPTER 6

# TOP CONTRACTORS USE STRUCTURED MEETINGS TO HOLD PEOPLE ACCOUNTABLE!

Why do most people feel meetings are a waste of time? Because they often are! Too often managers call too many meetings to report on what's happening and don't involve the attendees, ask for input, have meaningful discussions, or adjourn with an action plan. In some meetings the leader rambles along and doesn't keep the group focused on tasks or priorities at hand. In other meetings there's no agenda or structure and they become 'free for alls' without direction or conclusion.

Effective meetings occur on a regular basis and follow a regular agenda. They are action focused, dynamic, encourage open discussion, and achieve consensus. A good meeting leader boils down the issues to a few top urgent priorities that will make a difference and keep everyone focused on solving problems. Good meeting leaders present every issue as a question to open up discussions and encourage fresh ideas to resolve issues. For example, rather than starting a topic with: "Next item, the financials. Controller Joe, tell us about the revenue and expenses for last month and where things are looking bad."

A better way to introduce this item would be to present it as an item for discussion as follows: "Everyone has reviewed last month's financials Joe sent out a few days ago. It's obvious we have to do something different in order to achieve our overall goals. Let's get everyone's input and ideas what we should do differently in the next three months. Let's start with you Dave." Now you've got everyone involved. You are identifying what everyone thinks about the problem and their suggested solutions. This will lead to some real decisions and action instead of just negative talk and finger pointing.

Consider using these structured regular meetings to get everyone on the same page and achieve your company goals. Be careful. Don't start tomorrow by implementing all of them unless you are really committed to holding them on a regular basis. There is nothing worse than starting something and then deciding it wasn't really that important after all.

## MUST MEETINGS THAT MAKE YOUR COMPANY MORE MONEY

### 1. BIZ-DEVELOPMENT WEEKLY MEETING

Who: President, BIZ-Development, Marketing, Sales, Estimating & Pre-Construction

When: Weekly In Office for 1 hour

Agenda: **Review Company BIZ-Development Goals & Results:**

1. Review Progress On Sales & Customer Goals
2. Review Incoming Projects To Bid / Propose
3. Review and Plan Future B-D Opportunities

4. Plan Sales Calls & Customer Target Action Plans
5. Select New Customers & Targets To Attack
6. Plan Upcoming Marketing Activities
7. Track & Maintain Loyal Customer Plan

## **2. ALL SUPT. & FOREMEN WEEKLY FIELD WRAP-UP**

Who: All Company PM, Superintendents & Foremen

When: Weekly - Thurs Or Fri Afternoon In Office - 60 Min.

**Agenda: Review All Field Crew Plans & Activities:**

1. Review Crew Production, Achievements & Issues
2. Review Schedules & Action Plans
3. Praise & Recognize Crew Accomplishments
4. Set Next Week Production Goals & Targets - VISUAL
5. Discuss Next Week Production Plans – L, E, M, S
6. Each Crew Leader Discuss Their Job Issues
7. Provide Training On Upcoming Activities
8. Discuss Safety Concerns For Next Week
9. Turn In & Review Weekly Paperwork

## **3. ALL FIELD MONTHLY CREW MEETING**

Who: All PM, Supt, Foremen & Field Employees

When: Monthly @ 6:00 AM In Office For 1 Hour

**Agenda: Review Progress Of All Field Projects**

1. Review Crew Production & Accomplishments
2. Project Activity, Schedules, Equipment, Manpower,
3. Upcoming Project Plans, Issues & Challenges
4. Praise & Recognize Crew Accomplishments
5. Set Monthly Production Goals & Targets - VISUAL
6. Each Crew Leader Discuss Their Job Issues
7. Provide Training On Upcoming Activities
8. Safety Training

## **4. PROJECT TEAM TURN-OVER MEETING**

Who: Estimator, Project Manager, Superintendent, Foreman & Administrator

**Review:**

1. Proposal, Bid & Estimate
2. Contract Terms & Conditions
3. Plans & Contract Documents
4. Proposed Subcontractors & Suppliers
5. Schedule & Critical Dates
6. Project Site Conditions & Mobilization
7. Customer Issues
8. Payment & Cash-Flow Issues
9. Architect, Engineering & Constructability Issues
10. Permits, Inspections & Approvals

11. Safety & Quality Issues
12. Create Project Vision & Mission
13. Develop Project Start-Up Plan
14. First Draft Project Goals & Targets
15. First Draft Project Budget
16. First Draft Project Schedule

### **5. DAILY TEAM HUDDLE-UP MEETING**

Who: Project crew, team, staff or department  
When: First thing every morning  
Where: Office or jobsite standing in circle  
Duration: Maximum 5 to 10 minutes  
**Agenda: Everyone discuss their:**

1. Activities & needs
2. Goal & target progress
3. Production priorities
4. Deadlines & milestones

### **6. MONDAY MORNING QUARTERBACK MEETING**

Who: Project crew or team, management team, office staff or department  
When: Every Monday morning  
Where: Jobsite or office  
Duration: Maximum 15 to 30 Minutes  
**Agenda: Review game plan and team tactics for upcoming week:**

1. Review past week's team achievements & challenges
2. Praise & recognize individual accomplishments
3. Set current week goals & targets
4. Discuss this week's production plan
5. Each team member discuss their role
6. Provide training on upcoming activities
7. Discuss safety concerns for upcoming week

### **7. MONTHLY PROJECT MANAGEMENT MEETING**

Who: President, PM, superintendent, foreman & project administrator  
When: Monthly  
Where: Office (or jobsite for out of town jobs)  
Duration: Maximum 45 to 60 Minutes  
**Agenda: Meeting to review project or division progress:**

1. Jobsite photos & correspondence
2. Updated schedule & completion dates
3. Proposed versus executed change orders
4. Executed versus non-executed subcontracts
5. Accounts receivable and payables aging
6. Approved versus not approved shop drawings

7. Project cost reports – budget versus actual
8. Customer issues
9. Safety or quality issues
10. Labor, equipment, subcontractors, or supplier issues
11. Manpower or management issues

### **8. COMPANY MONTHLY MANAGEMENT MEETING**

Who: President & management team

When: Monthly

Where: Office conference room

Duration: Maximum 1 to 2 hours

Agenda: **Review overall company strategy:**

1. Review progress on company goals
2. Create list of all old & new topics to discuss
3. Prioritize topics in order of importance
4. Discuss topics in order of priority
5. Create action plan for each topic
6. Assign responsible manager for each topic

### **9. MANAGEMENT PLANNING RETREAT**

Who: President & management team

When: Annually

Where: Off-site meeting room or hotel

Duration: Maximum 1 to 2 days

Agenda: **Review overall company direction & strategy:**

1. Review past performance of company
2. Discuss current company situation
3. Decide future direction of company
4. Develop company goals
5. Create action plan to achieve goals
6. Assign manager accountable to implement goals

### **EACH OF THESE MEETINGS WILL WORK!**

But they may not all be right for your company. Run your company like a winning football team. Hold regular meetings. Start with one or two of these meetings to see how effective they are for your company. Then try another one in an area where you need the most work. But, remember when you never hold meetings, you are carrying the entire company on your shoulders and not getting the full support of your team.

## CHAPTER 7

# TOP CONTRACTORS MAKE SALES A TOP PRIORITY!

**I** have some deep concerns about the future of your company, your leadership, and the management team you have assembled. Your business is not growing for one reason: *You and your management team are not leading by example.*"

This is the opening to a letter I recently sent to a start-up company I have invested in. I wanted to shake them up and help them realize where their problems lie. Often times, business owners and managers tend to blame their bottom line woes on the economy, competition, customers, salespeople or their employees. In reality, *results* are the biggest indicator of leadership.

### **LEADERS LEAD BY EXAMPLE!**

Leaders lead. Leaders make it happen. Leaders get big results. Leaders set the pace. Leaders get people to follow. Leaders create excitement. Leaders take accountability. Leaders do what it takes. Making a profit and growing your construction business is simple. It starts with creating enough *revenue* to cover your job costs, overhead, and profit goals for the year.

### **NOT ENOUGH REVENUE = NOT ENOUGH BUSINESS = NO PROFIT!**

Successful business owners are almost always the big-time revenue generators who create lots of sales for their companies. The fastest way to fix a company's profit or growth problems is to generate more revenue. Check out these quotes from successful leaders:

"Anyone can manage. Leaders go out and create revenue." (Sam Walton)

"Anyone can write procedure manuals. Leaders go out and sell stock." (Jeff Bezos)

"Anyone can mind the store. Revenue takes inspiration and excitement." (Jack Welch)

"Anyone can organize. Leaders cold call and close sales." (Lee Iacocca)

"Anyone can tell others to do it. Leaders go out and make it happen themselves." (Ross Perot)

"Anyone can build great buildings. Leaders get people to sign contracts!" (George Hedley)

### **SELLING IS NOT EASY!**

For me, selling doesn't come naturally. I don't like to spend my day cold calling on potential customers who don't really want to talk to me. Selling is uncomfortable. Selling is not my gift. So like many of you, what mistake did I do to fix the problem? Hire a salesperson. I figured this would remove me from the sales process. Guess what? It doesn't work. He continually keeps asking me to go on sales calls with him so I can close the deal. This ticks me off! Now what? Can I grow my business without me doing any selling? No!

In your construction business, clients want to know the owner and project management team before making a decision to hire your company. Customers want to know who they'll be doing business with. They want to build relationships and develop a sense of trust during the sales and contractor selection process.

It's almost impossible to expect a salesperson get a construction contract signed without the construction company owner's help. It is easy to hire a salesperson, but the hard part is to get them to do it well without your coaching, direction and hands-on involvement. When you rely exclusively on your salespeople to grow your business and bring in profitable sales, it just won't happen. Without the owner and management team involved, it is hard to meet your sales goals.

### **LEADERS COMMIT TO SELL**

The only way *you* can grow your business is to take personal responsibility to get it done. *You* must be the leader. *You* must lead by example. You must spend time with your customers. *You* must sell. What is your personal commitment to selling? This week? This month? This quarter? This year?

Leaders generate revenue. A personal sales approach utilizing face to face appointments with your top 20 to 50 customer targets is what it takes. Every breakfast and lunch is an opportunity to be with one of your targets. Every day arrange at least 1 or 2 meetings with potential and current customers from your list. Give your management team a weekly progress report to show your commitment to making sales happen. Only by your example of leadership, will your team get on board as well. Make selling their priority too. Get sales commitments from every team member. If your team members won't or can't make it happen, *replace them* with players who *will*. You can't grow a company without 100% commitment from everyone at the top.

### **MAKE SELLING YOUR PRIORITY!**

Remember the start-up company I sent the letter to? The CEO got on board and made it happen. He made a personal commitment to make ten sales appointments every week. He also committed to personally generate \$15,000,000 in revenue within six months. His leadership inspired those under him to get on board as well. Each team member committed to make selling their priority. This also improved productivity, customer service and profitability. All good news! Guess what? Their salesperson improved as well. With the full support of the company leaders, he was more aggressive, created leads and turned them into sales.

If your business isn't growing in revenue *and* profits, only you can be blamed as the leader. You lead your management or project team. You set the priorities. Have you made selling a priority? Your company needs leadership. Your people need someone to follow. The choice is yours. Where will you lead them?

Most businesses have fixed indirect overhead expenses that don't vary much as their sales go up or down. With a relatively fixed cost of doing business, the best way to make more profit is

to **GENERATE MORE REVENUE**. In order to obtain more sales, successful companies have someone responsible to make it rain money. Indian tribes used a ‘Rainmaker’ who used his powers to create rain when the crops needed water. This kept the crops growing and the Indians alive and nourished. In your business, you need someone responsible to bring in enough money from customers and clients to keep your people fed and the machine working. Without enough profitable revenue, your company will die and you won’t be able to grow or continue offering your products and services. With this in mind, the only thing that really matters is to find and keep customers at a profit. Without customers, there is no business. And...

## **WITHOUT FINDING NEW CUSTOMERS, YOU CAN’T SURVIVE!**

Many businesses grew over the boom years by doing good work and relying on their reputation to generate repeat customers and referrals. A systematic marketing program or sales system were not necessary to generate enough revenue to keep everyone busy and filled with work. Today, without a dedicated and effective ongoing marketing and sales plan, you can’t generate enough revenue to keep your doors open.

### **WHY SHOULD CUSTOMERS DO BUSINESS WITH YOUR COMPANY?**

Selling starts with understanding what your potential customers want to buy and why they should do business with you. You must be able to answer these questions with such clarity that your customers will clearly see the benefits of what you have to offer and the differentiating factors that set your company apart. Start by making a list of **benefits** you provide for your customers and reasons they should only buy from you. These factors can include ways you solve customer’s problems, make them more money, save them money, help them do more with less, achieve what they want faster than ever before, reduce their stress or risk, show you care, or make them feel good about doing business with your company.

To help you finalize your list of customer benefits, put yourself in their shoes. What would convince you to **only buy from your company**? Remember customers don’t really care how long you have been in business, your experience, your personal service, your commitment to quality, your safety record, what other services you perform, who you have done work with, or what tools and equipment you own. They really only care about is what they want and how you will provide effective and efficient solutions to solve their problem or need.

### **GET A SALES APPOINTMENT!**

As you start to implement a pro-active sales program, it will be next to impossible to get a sales appointment with potential customers unless you can convince them you are different than your competitors, you have solutions to their problems, and you care about their success. Your first task will be to **entice customers** to invite you to meet with them on their terms. This starts by asking the right questions about what your customer wants, listening to their answers, and then responding with ways you can help them get what they want. If a potential customers doesn’t think you can help them solve their problem at the price they want to pay, you won’t be able to get the sales appointment you want.

### **ONLY SELL TO THE BEST CUSTOMERS!**

Selling is like fishing. In order to be successful catching fish, it takes a fishing pole, tackle, lures, bait, line, a boat, and most importantly: **FISH** that will bite what you offer them! And to improve your results, it is best to fish where there are lots of fish. And to get an even bigger return on your time fishing, finding bigger fish will improve your return on effort. And to make fishing even better, offer them bait that they love to eat!

The best salespeople fish for profitable customers with tasty bait, using the best strategies, in places where there are lots of customers who want to buy what you offer at the price you want to sell your services at. For example, if you are a contractor looking to sell potential customers the same type of work as your competitors offer, you will have difficulty getting them to bite without lowering your price. If you are a subcontractor offering carpentry, drywall, or concrete work to general contractors in a down market, they have lots of options and you have lots of competitors. It's hard to make a sale when there are too many fishermen trying to nab the same small fish with the same proposal offering a fixed price for a specified scope of work.

To get customers to bite, you've got to look for customers who want to buy and need what you offer. Therefore, what you offer must be different than what your competitors offer and focused on giving each customer exactly what they want. Determine what you offer that target **customers want**. For example, hospitals want contractors who are trained, safe, clean, technical, and will work 24 hours. Hospitals are hard to initially convince to do business with your company. But once inside their walls, they will use your company for more and more services over a long time.

### **FIND CUSTOMERS WHO VALUE EXCELLENCE!**

Another example is targeting the United States Army Corp Of Engineers. Their construction procurement program is based on qualifications, experience, track record, and lastly price. It takes a lot of effort to get hired on your first construction project for them, but once qualified with an excellent performance record, you will be placed at the top of the selection list for future projects. Most contractors focus on offering the lowest price and building fast, efficient, and only what's in the contract. If you offer this to the Army Corp, you won't last long in their system. That is not what they want. It takes more effort, management, and money to be a contractor for them than most are willing to invest.

Remodeling and renovating expensive homes also takes more effort than just being a quality contractor and providing good workmanship at a low price to convince homeowners to buy from your company. These customers are used to lots of personal service, cutting-edge systems, daily communication, follow-up, hand-holding, and professionalism from top to bottom within your organization. The effort is intense and expensive to perform, but worth it. Once you become a preferred provider in exclusive neighborhoods, customers will flock to use your company for their construction needs without caring about the price. And the good news, high-end customers are not as affected by the economy and generally always need your services.

These type of customers who are demanding require more time and service. They also require a more sophisticated selling system and process to get them to want to buy from your company. In addition, bigger customers who are more sophisticated and professional are harder to get into and sell. But over time they will be worth the effort as they will buy a lot more of your services than small one-time customers.

## THE SEVEN STEP SALES CYCLE

### 1. FIND POTENTIAL CUSTOMER TARGETS & LEADS

Start your sales process by identifying past, repeat, and potential customers who are perfect targets for exactly what you offer. Review your contracts over the last three to five years and create a database of customers who have a potential to be long time repeat customers. Next, spend several days searching for potential customers who need what you offer and are viable candidates for you to get in front of, and make proposals to. Compile your list on a database tracking software system like ACT so you can sort them by needs, potential, and project type.

### 2. IMPLEMENT A CONSISTENT MARKETING PLAN

The key to any marketing and sales plan is to do it consistently over a long period of time. A one time brochure, email, phone call, or mailing will not penetrate potential customers and get them to want to do business with you. Determine how you will **pro-actively attack** your customer target list over the next two to three years. I recommend you contact customers at least every quarter to get them to recognize your company. Look at your budget and determine how you will attack them via mail and/or in-person. See the Marketing Plan template at the end of this chapter.

### 3. GET A MEETING

In order to make a sale and get a signed contract, you will have to get in front of your customer to present your company. Remember the purpose of your proposal or marketing effort is to **get a face-to-face meeting** with customers who want what you offer. To get a meeting, start with a consistent mailing program to familiarize customers with your company and what it has to offer. Customize letters explaining why they should do business with you, and how you will make them money and save them time or hassles. Promise a follow-up call and deliver on your promise. If your offer is enticing enough, customers will take your call and want to meet with you. Call them and suggest a short ten to twenty minute meeting to discuss what they need and how you can solve their problems.

### 4. GET THE FACTS

Consider your first meeting as a fact finding session where you are there to ask questions, listen, and look for ways to solve their problems. At this meeting **qualify their potential** for a long time relationship, see how they do business, find out how they award contracts, look for ways to improve your odds of winning business from them, determine what they like and dislike from a supplier, and other ways or ideas how you can set your company apart from your competitors. After the meeting, always send a handwritten thank-you note. Then reflect and determine if they are a good prospect for your future.

## **5. PRESENT WINNING PROPOSALS THAT WOW!**

After your first meeting, you must create a winning proposal that will entice customers to buy from your company. You must answer the questions they asked and offer solutions to the problems they face. The more reasons you give them to want to hire your company, the less likely they will be stuck on buying the lowest price. In other words, no compelling reasons to buy from you = low price wins the contract! As a part of your proposal, use lots of visuals and photographs of people helping people solving problems for their customers. Offer to take them out to a jobsite or completed project to see your work and talk to one of your other customers. In your written proposal, you must convince them why they should only buy from you, entice them to want to buy, offer solutions to their problems, overcome their fears and concerns, overcome price objections, tell them how you will reduce their risk, and **ask for the order** in a compelling manner.

## **6. FOLLOW-UP AGGRESSIVELY!**

After the proposal, you must follow-up at least every other day to show you are interested in working with them and helping them make more money. If they don't return your calls, leave messages with additional ideas how your company can perform better or save money for them. Don't give up. You worked hard to get this far, so **take it to the finish line**. Send postcards, handwritten notes, photos, or anything during this phase to keep your interest and company at the top of their mind. Your efforts and diligence will show you really want to work with them. I am amazed how many companies submit proposals and never follow-up. I guess they don't want to get the job or really care.

## **7. CREATE LOYAL CUSTOMERS**

Getting a signed contract is only the first step in your long time relationship with a customer. Stay in touch with them often during the project to ask how it is going and how you can do more or better than expected. After the contract is completed, send them a thank-you card and gift as a token of your appreciation. The sales work continues as you work hard to stay close and **build on the initial relationship**. Take customers out to lunch, a ballgame, fishing, or golfing at least every quarter to reinforce the relationship. This will increase your chances of turning repeat customers in loyal customers who will use your company for all of their needs.

## CHAPTER 8

# TOP CONTRACTORS TRACK THEIR SALES TARGETS & GOALS!

**W**hat business activity makes the most \$\$\$ for your company? I bet you didn't say: 'Sales!' To most contractors, their total sales effort is no more than picking up a set of plans from a customer, estimating the job, turning in a bid, and then waiting for the results. They rely heavily on price to sell most jobs. As the economy has gotten worse, and work is harder and harder to get, many company owners have thought about how to increase their sales. Some have even decided to hire a salesperson to increase their revenue. But then what? These frustrated owners don't know how to manage a salesperson to get the results they need or want.

### **SALES IS EASY - IT'S A NUMBERS GAME!**

When competent salespeople make regular sales calls on good prospects who need what you offer, your company will get their share of the business. When you don't make the calls, you won't get the business. It's like professional hockey. The team that takes the most shots, usually wins the game. **The more sales calls, the more business.** Simple and easy.

Most business owners don't like to make sales calls. So they try to encourage their estimator to make them. Most estimators are not built to sell. They are built to analyze a set of plans, use their calculators and computers, and put a price on a specified amount of work. Like business owners, estimators also they don't like to get out of their comfort zone, go out and make sales calls, and spend a majority of their time selling. So, in tight markets, small business owners often want to hire salespeople to solve their lack of revenue problem.

### **WHY DO COMPANIES STRUGGLE?**

A major reason small to medium size companies struggle is caused by a lack of a systemized and focused on sales and marketing plan. They mainly rely on their reputation to earn the right to be awarded enough work to make a reasonable profit. This works in good times, but not during a slower economy. Successful companies must have written sales systems and marketing plans that pro-actively and aggressively look for and attack new customers, targets, and contracts.

As I observe the successful subcontractors who our general contracting company use, there is a common thread. They have a plan to find and attract new customers and follow it diligently. Every week they come by our office as a part of their sales route to meet with our project managers, and build relationships with our people. They are always in the selling mode and ready when we have an opportunity for them. The majority of subcontractors wait until we call them, the successful contractors are already there waiting for an opportunity to attack.

**A PRO-ACTIVE SALES PLAN** starts with a business owner or general sales manager who will hold their salespeople to a required standard of performance excellence. These required

standards can include the number of calls per day, number of customer lunches per week, number of face to face meetings per week, number of proposals, and total proposal volume per month. To know how you're doing, you've got to keep score.

Keeping score with salespeople is often difficult, as they tend to not want to be tied down to a set number of calls required. They like to let their instincts take them through the day. They don't like to be held accountable or to a minimum standard, and don't like to track numbers. They also don't like to write, don't like discipline, and don't want to follow a written plan. They generally feel their gift of gab will get them through and reap enough results. But without numbers to hit, most salespeople will fail and not meet your expectations.

### **SALES NUMBERS TO TRACK:**

- The type of customers you want
- The markets you want to attack
- The project locations you like
- The project sizes you want
- The minimum fee per job
- Sales calls per day
- Leads from calls
- Face to face meetings per week
- Proposals from leads
- Proposal follow-up tracking
- Proposals or bids hit
- Referrals from customers
- Average job size
- Average profit margin

### **WHAT'S YOUR SALES SUCCESS SYSTEM?**

To win more jobs, you must know your numbers and keep track of your weekly sales efforts. Every Monday you must sit down with your sales, estimating, and project managers to review the sales progress from the previous week, and layout a sales plan for the next four upcoming weeks. Without a weekly sales meeting, everyone stays busy doing their jobs, working with existing customers, bidding, building projects, and doesn't put a top focus or priority on winning new contracts.

Laying out a sales plan starts with determining how much business you need to cover your overhead plus meet your profit goals. Follow this example to review how sales numbers tracking works:

**ACME CONSTRUCTION COMPANY**

1. Annual Overhead	\$ 500,000	
2. Annual Profit Goal	<u>\$ 200,000</u>	
3. Total Overhead + Profit Goal	\$ 700,000	
4. Average Gross Profit anticipated	20%	
5. Annual Sales required to meet goals	\$3,500,000	(\$700,000 / .20)
7. Average Job Size	\$ 350,000	
8. Jobs Needed	10	
9. Average Bid-Hit Ratio	10%	1 / 10
10. Annual Bids needed	100	
11. Bids & Proposals needed per month	8.33	
12. Warm Leads Conversion Rate	33%	1 / 3
13. Warm Leads per month needed	25	
14. Face To Face Meetings needed per month	25	
15. Sales phone calls per Appointment made	25%	1 / 4
16. Sales Phone Calls needed per month	100	

In this example, Acme Construction needs to do \$3,500,000 in sales to generate \$700,000 in overhead and profit for the upcoming year. (6.) Based on the market they are in and their track record, they are averaging awards on one winning project for every ten they bid. With an average job size of \$350,000, they need to be awarded 10 jobs this year. (9.) This equals 100 bids or proposals will be required for them to hit their goals.

To convert your business plan into a sales plan, follow the rest of Acme Construction's tracking example. (12.) For every 3 warm leads they generate which appear to be real opportunities to bid on, Acme converts one into a bid or proposal. (13.) This converts to 25 warm leads needed every month to keep their sales pipeline full. (14.) In order to convert a warm lead into a bid opportunity, someone from Acme needs to meet with 25 potential customers per month. (15.) For every sales phone call made, one in four convert to an appointment or face to face meeting with a customer. (16.) This exercise requires at least 100 sales phone calls per month to generate enough revenue, bids, proposals, and activity to meet Acme's overall goals.

The question is, how many calls can a salesperson make or how many sales people does it take to keep this sales plan working? In most companies, a portion of new work opportunities come from existing customers and lead sources. And another portion must come from your sales effort. How many sales phone calls, face to face meetings, and appointments can a salesperson make in a week? The best way to find out is to ask your salesperson and then keep track. You'll find that at a minimum, a good salesperson should average a minimum of two to four phone cold calls per hour and at least two to three face to face meaningful meetings a day. That doesn't sound like much, but it will be enough if they are calling on the right customer targets.

Based on the Acme example, 25 meetings are needed every month. If a sales person makes 2 face to face meetings a day, they should be able to meet the companies goals. Based on Acme's needs, I would set the salesperson's performance goals as follows:

## **SALES PERFORMANCE GOALS**

Phone Sales Calls per week	25 to 35
Customer Meetings per week	7 to 15
Bids & Proposals needed per month	8 to 10

## **SALES TRACKING REPORT**

In order to keep your sales people focused on the right projects and new customer targets, you'll have to manage the process. Every Monday, review leads, phone calls and customer meetings with your salesperson. Review which customer targets were attempted and which are still needed. Create a new list of leads to attack and keep the salesperson focused on the big targets.

This meeting will insure your sales efforts continue. Over time, some salespeople tend to stop going after new accounts as they get comfortable on their route of customers they know. The tracking system will keep them on track with existing and new customers to call on.

## **SALES TRACKING LOG**

Date   Customer Target   Contact & Information   Opportunity   Follow-Up   Type

The 'Type' refers to the type of contact your salesperson had with the customer. It could be a Phone Call, Meeting, Meal, Event, Bid, or Proposal. I am a firm believer that a phone call or email are tools to set meetings with your customers. In hockey, you don't win the games making good passes, only by taking good shots at the goal.

In sales tracking, I don't give salespeople credit for phone calls. Only face to face meetings or appointments count. On the phone, customers don't always tell you everything you need to know about the potential project. In a face to face setting, you can start to build a relationship, read your customer's body language, and get to really know them. So the more meetings, the more success will happen. And frequency is the key to unlocking success in your sales team. As J. Paul Getty once said: 'Rise early, work late & strike oil!' To be successful in sales:

**"RISE EARLY, WORK LATE & STRIKE OFTEN!"**

## CHAPTER 9

# TOP CONTRACTORS OFFER MORE THAN LOW PRICE!

**E**very construction company business owner wants to **charge a higher price** for their services and products. And especially today, I'm sure you are looking for the magic ingredient that will give you more jobs at your price. But why should customers award your company a contract? In this tough economy there are less jobs to bid and more competition. Many of your competitors are pricing jobs at prices lower than their costs. They are trying to keep their doors open and crews busy hoping something good happens soon. Ask yourself this question:

### **WHY SHOULD CUSTOMERS AWARD YOUR COMPANY CONTRACTS AT YOUR PRICE OR HIGHER THAN YOUR COMPETITORS?**

#### **It Is WHAT It Is!**

Perhaps you are starting to realize that it's not what it was. The new economic reality is here to stay for at least 3 to 5 years. If it hasn't hit you yet, get ready. Just a few years ago you could do a pretty good job and get lots of work from your customers. But today, your old sales strategies won't get you enough work to stay profitable. It takes more than doing a good job, producing quality work, and bidding projects per plans and specifications to win contracts. Now, you must do more and offer something different than your competitors to win contracts. You need to renovate, innovate, change, improve, and upgrade your estimating systems, bidding strategies, proposal format, presentation methods, customer contact approach, marketing plan, and sales tactics to be successful today.

I started my construction company in 1977. At that time there was not a lot of competition and getting work was relatively easy. Through my business contacts, I could find a nice job to bid, call the customer, meet them, get a set of plans to bid, do the take-off, estimate the job, and then turn in my proposal with a reasonable mark-up on it. A few days later I would call to see if I could meet with the customer to review our bid. At the meeting we would negotiate the terms, inclusions, exclusions, and agree on a final price. Simple.

#### **LOW BID GETS THE JOB IN PUBLIC WORKS.**

In public works construction, the low bidder usually gets the job and there is little or no room for sales strategy or tactics. The best way to be the low bidder and awarded a contract is to have the lowest possible costs and the most efficient construction management and field operation possible. To keep your costs lower than your competitors, your field crews must be lean, productive, and well trained. There must be no downtime, job problems, quality issues, coordination conflicts, or mistakes. Your subcontractors and suppliers must also be supervised and managed tight without gaps in scheduling, productivity, conflicts, or quality. This can only

be accomplished with diligent leadership, accountable management, and ongoing training focused on productivity and efficiency.

### **NOW GET IN THE SALES BUSINESS!**

In private work, it takes a lot more than just bidding and negotiating to win contracts. You've got to give customers a differentiating reason to hire your company. It's not just about the price, inclusions, and exclusions. Now there are too many competitors who can do the same job as your company and will cut their bid below their cost to get a job. To win more contracts at your price, you must face reality. You are not in the construction business. You now have to also be in the **\$ALES** business!

Estimating and bidding used to be the only sales tactic you needed to win jobs. Today that's only a small part of the process. **\$ALES INVOLVES MORE** than pricing jobs, delivering bids, and negotiating with the decision maker. It is about giving your customer what they specifically want on each job you're bidding. You need lots of sales strategies to make a positive difference in your customer's decision making process.

## **20 WAYS TO GIVE CUSTOMERS MORE**

1. Create the perception of best value
2. Offer completion, service, and quality guarantees
3. Be the specialist or expert in the project type
4. Professionally present your company
5. Use cutting-edge technology
6. Be well financed and bondable
7. Have well trained foreman and crews
8. Have large crews available to man the job
9. Be able to finish job faster than competitors
10. Offer more than the minimum required
11. Understand the contract terms and project
12. Understand the project goals and deadlines
13. Offer value-added engineering budget ideas
14. Build confidence you are the right choice
15. Be aggressive following up on proposals
16. Show appreciation for the opportunity
17. Have a trusted customer relationship
18. Do whatever it takes
19. Meet customer's goals
20. Give customer what they want

### **WHAT DIFFERENTIATES YOUR COMPANY?**

Imagine you are driving down the freeway and need to fill up your gas tank. Do you look for the best quality, service, or price? No, you look for the closest gas station because it doesn't matter which gas station you visit because they're all the same. The construction business is the

same. It doesn't matter which contractors customers use. Customers generate bid lists of 4 to 6 or more contractors or subcontractors who are all equal in the customer's mind. Most of these contractors do a pretty good job, with expected quality, in an acceptable and professional manner. But what doesn't set them apart from their competitors are their proposals. They almost always bid the minimum required per plans and specifications and don't offer much different or value-added to meet their customer's specific needs.

### **CAN CUSTOMERS REALLY TELL THE DIFFERENCE BETWEEN YOUR COMPANY'S BID PROPOSAL AND YOUR COMPETITORS?**

If all else is equal, the only differentiating factor between your company and your competitors is the **lowest** price. What do you do to stand out from the crowd? To set yourself apart and charge a higher price, you must be different than your competitor. Differentiation can include doing more than your competitor for the same price, being the expert or specialist in a particular type of work or project, adding more value than required, or having a deep loyal trusted customer relationship.

### **GIVE CUSTOMERS A REASON TO HIRE YOU!**

The best way to win a contract is to have a relationship with your customer that goes beyond doing past projects for them. It is based on trust and friendship developed over time. It is built by spending lots of time together having fun fishing, golfing, or doing other activities together not related to work.

If you don't have this kind of loyal customer relationship, you have no other choice but to differentiate your company from competitors. Low price is one way and creating and offering real differences is another. Before you bid the next project, ask yourself why the customer should hire your company for this project. Are you better or faster? Do you have more qualified trained people who know how to perform this type of work? Can you help your customer make more money?

As you **CREATE A LIST OF REASONS** the customer should hire your company for the project, think about what you offer that no other competitor offers. Think about what else you can do for the customer that is not required by the scope of work. Think about how you can help your customer meet their goals, make more money, increase sales, grow their business, build a better project, reduce risk, or have more fun while working with your company. I know what you are thinking: 'We don't get paid for all those extra things!' If you want to win jobs today, you must do more than the minimum.

After you **CREATE A LIST OF 3 TO 5 REASONS** why you are the best choice for your customer to award this contract, what will you do to prove your company is the best choice? In your proposal you can include a list of past projects where you beat the schedule and delivered results that made the customer excited about your company (this is more than the standard reference list). Include pictures of completed projects similar to the one you are bidding on. Include a draft schedule showing how you can help your customer complete the project ten to twenty percent faster than a normal contractor can. Schedule a field trip with your potential

customer to other jobsites where you can show them how you solved difficult problems. Give them a list of added services your company will provide if awarded the job. Offer a guarantee such as completion date, punch-list completion, quality, or added warranty they will not get with another competitor.

### **WHAT'S YOUR BIDDING STRATEGY?**

After you have established reasons why customers should hire your company, now it's time to find jobs to bid where you can be successful. Your overall estimating and bidding strategy is to get enough signed contracts at your price to cover your job costs, overhead, and then make a profit. This requires several winning plans. The first strategy is to have a strategy! Many contractors bid any job they are offered to bid. They don't have a strategy that helps them decide which jobs to bid and when to say no. What's your estimating and bidding strategy?

Before agreeing to bid a project, create a list of questions to determine if you will have an excellent chance to win the contract.

### **PRE-BID QUALIFYING QUESTIONS**

1. Do you want to negotiate the project?
  - How will you convince the customer to negotiate with you?
2. Do you want to be the select or only bidder?
  - How will you implement this strategy?
3. Do you want to get the last look?
  - How will you make this happen?
4. Do you know your bid-success ratio against your competitors?
  - How do you keep track of your success versus competitors?
5. Do you have competitors you don't want to compete against?
  - How will you discover this information?
6. Do you have some competitors you will bid against?
  - How will insure the bid list gives you a chance to be awarded a contract?
7. Do you have an ideal number of bidders you'll bid against?
  - How will you insure this happens?
8. Do you have a maximum number of bidders you'll bid against?
  - How will you decide when not to bid a job?

### **IMPLEMENT YOUR BIDDING STRATEGY!**

To help you determine which jobs you have the best chance of winning, always pre-qualify your customers. Make it a policy to not waste your time bidding jobs you can't get or don't really want. Always insist you have a chance to meet with the decision maker to present your proposal. Interview your customer before the job goes to bid to ask them some tough questions.

## **TOUGH QUESTIONS TO ASK POTENTIAL CUSTOMERS**

1. Will they negotiate?
2. Number of other bidders?
3. Who have they awarded the last several jobs to?
4. Chances the job will be built?
5. Does the job have funding?
6. Can you present you bid in person?
7. How will the bids be reviewed?
8. Can you get a meeting after your proposal?
9. What is the most important selection criteria?
10. Who makes the final decision?
11. If all else is equal, what are the chances we have to be awarded the job?

### **THE MAIN PURPOSE OF EVERY BID IS TO GET A MEETING WITH YOUR POTENTIAL CUSTOMER.**

Think of your bid as bait to get a customer to bite by calling you and ask you to meet and present your proposal in person. Without a meeting, your proposal looks like the others, just a list of items on paper with a price attached to it. In a meeting, you can discuss the inclusions, exclusions, price, and present what your company will do for your customer that your competitor doesn't offer.

Remember, the purpose of your bid is to ENTICE your customer to MEET FACE TO FACE with you and your project team. At the meeting, your role changes from just another contractor reviewing their bid to a producer of a dynamic presentation that sells the many reasons why they should only consider hiring your company. There are many ways to entice customers to meet with you. Giving them a reason to meet is an most important concept to grasp. Make a list of five reasons customers need to meet with your company after you present your bid. Constantly call them to ask for meetings. Leave messages like these: "Regarding the bid we submitted last week, I have a way we can save you money, finish faster, make your job easier, improve the quality at no extra cost, give you better payment terms, help you with supervision, do more for less, etc." If you can't give customers a reason to meet with you, you can only hope your low bid is low enough to win a contract.

Winning contracts at your price is not easy. It takes more work than it used to. Now you must also sell and present your company as the best choice. This takes a restructuring of your time and commitment to excellence. Learn how to upgrade you presentation, improve your proposal, be more aggressive with follow-up, and don't take 'no' for an answer.

## CHAPTER 10

# TOP CONTRACTORS BID THE RIGHT JOBS TO IMPROVE THEIR WIN RATIO!

“It’s impossible to compete in this tight construction market.” “There’s always too much competition.” “I can’t find any profitable jobs to bid.” “The only way I get any jobs is when we leave too much money on the table.” “I get tired of cutting our bids to beat the competition.” “How can we ever make enough money to survive?”

Does this sound familiar? I have been hearing these same complaints about the construction business since 1977 when I first started my general contracting company. It seems as if nothing changes as contractors continue to compete against low price competitors.

### **GET CUSTOMERS TO BITE!**

Before you go fishing, you need the right bait to get fish to bite. Think of your bid as tasty bait your customers will want to bite so you can land a lucrative contract. When you fish, your goal is to catch the big one. So you set out to find an abundant fishing hole and cast out your bait – hook, line and sinker. When looking for great companies to bid to, or profitable projects to bid on, you also seek out opportunities that will give you the best chance to make the most money. When you finally catch a fish, you reel it in, weigh it, and decide if you want to keep it. After you submit a bid and get the call to cut your bid or match a better price to get the job, it is your choice to accept their offer as well.

When you go fishing and they aren’t biting, what do you do? You try different fishing techniques, change your bait, or move on to another fishing hole. This is not what contractors typically do when they don’t land enough construction contracts. Most contractors just keep bidding to the same customers over and over, using the same bait and proposal strategies as they’ve always used. Contractors often think if they bid enough jobs to the same companies or entities, the same way, eventually they’ll get their share. This effort won’t get you the positive results you want. Like in fishing, you must change your estimating and bidding strategies to get the big ones to bite more often. You have to use the right tackle, different techniques, and tastier bait to get the fish to think your bait is better than your competition, or look for better fishing holes.

### **BID-HIT RATIO**

When I present my programs at construction conventions, I ask everyone what their Bid-Hit ratio is. Most business owners, estimators, and project managers don’t have a clue what their ratio is. In a survey I conducted of over 2,000 construction general contractors, subcontractors, and design-build companies, less than 6% know and track theirs. To me, this is like going fishing and not really caring if you catch any fish!

Bid-Hit ratio is the rate at which you successfully bid or propose on projects. For example, a 5 to 1 Bid-Hit ratio states for every five jobs you bid or propose on, you are awarded only one. Do you know what yours is? Do you keep track?

In order to determine how many jobs to bid, what type of jobs to go after, and which customers give you a higher percentage of their work, you must know your Bid-Hit ratio for these different categories. Track it monthly, quarterly and yearly. Track it for all types of projects you bid on and each customer you bid to. Also track by job type: large versus small, local versus out of town, commercial versus industrial or residential, bid versus negotiated, plans & specifications versus design-build, or new construction versus remodel.

As you study your Bid-Hit ratio trends, you'll find certain customers give you more work than others. You'll find you do better with certain kinds of jobs. You'll also discover when competing against too many competitors, your success ratio won't be as good as it should be. This simple tracking system will help you determine which jobs and customers to bid to. It will also help you determine when to eliminate a project type or customer and seek out better opportunities to invest your estimating dollars. You can submit better bids, get more work and improve your bid-hit ratio.

### **OFFER WHAT CUSTOMERS WANT!**

Think about what you include in your typical proposal or bid. You automatically include the price, terms, scope of work, specification section number, inclusions, exclusions, a list of the plans and specifications, and payment provisions. These facts and figures don't take into consideration what your customer really wants. Sure they want a low price based on an "apples to apples" scope of work, but what else?

If you wanted to hire a remodel contractor to add on to your home while you continue to live there, would price be the number one factor in selecting your professional contractor? What about disruption to your life, keeping the house clean, noise, security, commitment to meeting the schedule, integrity, financial strength, manpower, supervision, etc.?

### **THINGS CUSTOMERS MAY VALUE MORE THAN LOW PRICE:**

Ability and experience:

- Understanding of plans & specifications
- Reputation for excessive change orders
- In-house design & value engineering
- Experience in similar type projects

Customer service:

- Trust with a delicate customer
- Service department
- Flexibility
- Response time

Solid workforce:

- Properly trained professional field crews
- Foremen who can make decisions
- Large enough crews
- Ability to make the schedule
- Quality workmanship

Image:

- Great safety record
- Maintain clean jobsite
- Jobsite image & uniforms

Financial strength:

- Financial strength & bonding capacity
- Payment schedule & need for cash

Every project has unique requirements which are often as or more important than price. Before you start working on an estimate for a customer, Always ASK – ASK - ASK the decision maker what's important on this job. Then, custom design your bid proposal accordingly. Highlight the differentiating factors and make it clear that their priorities are the same as yours. You have to be competitive, but you often get chosen because of what else you offer to your customers.

### **BID THE RIGHT JOBS!**

One of the best ways to improve your Bid-Hit ratio and get more profitable work is to get on the right bid lists. This starts by having a bidding strategy with goals to shoot for. Most estimators don't have a clear strategy – just bid, and hope to land as many jobs as they can. What is your bidding strategy?

- Don't waste time & money.** Never invest estimating effort bidding projects to customers without any hope for a return on your investment. Get a positive commitment and understanding from your customer on how the contractor will be selected *before* you start working on a bid.
- Pick the jobs you want & work them hard.** I noticed our estimating department was too busy to focus properly on every bid. Instead of concentrating on the jobs we really wanted, our estimators were working on lots of bids and commitments that would never happen. This diluted our efforts and caused us to lose the good projects. Be selective and eliminate the projects you don't want and diligently pursue the jobs you want to improve your Bid-Hit ratio by as much as 100%.
- Never bid jobs you won't get, no matter how low you bid.** You know which jobs I'm talking about – the ones with too many bidders on the bid list or the customer has used the same contractor on the last 15 jobs in a row.

- D. **Never bid jobs you can't get.** These jobs include those where your company is not the perceived expert in the project type, you are not a local contractor or subcontractor, or you don't have enough trained help to man the project properly.
- E. **Never bid jobs without meeting the decision maker.** This is my BIGGIE for private construction work. Unless you can meet with the decision maker before you start working on an estimate, don't waste your time – pass on the opportunity. When you meet, ask them:
- Who else is bidding?
  - Who have they used on their last five projects?
  - How will the bids be opened & reviewed?
  - Who makes final selection & award and what is the selection criteria?
  - What is the most important factor in the selection?
  - If all else is equal, what are the *chances we have to be awarded the job?*

### **MAKE YOUR BID / PROPOSAL TASTY!**

Remember your bid is bait to go fishing for a contract. The main purpose for your bid is act as bait to get a meeting with your customer. At this meeting you can discuss the project in depth, review how you can help your customer meet their goals, explain why you are the best choice, review pricing options, get a second chance to be the selected contractor, and get last look. Getting last look is your second chance to match the price of the lowest bidder, only if you want to. It is very difficult to accomplish all of these actions over the phone.

The hard part of this process is to actually get a meeting. Try to exploit your relationships, referrals, or any other means possible to force a meeting. Other tactics to get a meeting include excluding bid items that need discussing, specify alternatives to entice your customer, offer lower price value engineering ideas, ask questions needing clarification, or suggest ways to improve the schedule. You must do whatever it takes to get a meeting including just showing up at their office and waiting in their lobby until they see you.

Not all of these tactics will work for you. But, try them and you'll like the outcome as they improve your Bid-Hit ratio and help you get more work. When you're not getting the results you want, change your tactics, try some different bait, and find a new fishing hole as you look for profitable work. By trying new ideas, you can make estimating and bidding a fun and challenging experience with a great return. Have fun fishing!



## ABOUT GEORGE HEDLEY, CSP LPBC

**George Hedley**, ‘The Business-Builder’ is an entrepreneur, construction business owner, and recognized authority on how to build a construction company that consistently produce bottom-line results, loyal customers, leaders, and profits. He is the author of several books including: “The Business Success Blueprint” series and ‘Get Your Business To Work!’ George is also a regular columnist in several magazines including ‘**Construction Business Owner.**’

George’s founded & built his commercial construction and development company from \$0 to \$50 million dollars in only 7 years! For his accomplishments, George received the nationally recognized award “Entrepreneur of the Year” by Ernst & Young and “Venture” magazine. George is a graduate of the University of Southern California in Civil Engineering and has served as President of 5 industry associations. He lives in Newport Beach, CA. and plays golf several times a week with his favorite golf partner, his wife Alana.

Today, along with managing his company, George owns **HARDHAT Presentations** and is a popular speaker to companies and associations. He has earned the prestigious ‘Certified Speaking Professional’ designation from the National Speakers Association. His ‘Business Building Programs’ include topics on Building Leaders, Profits, Customers, and Wealth. He also holds in-depth ‘Profit-Builder Circle Academies’ 2-day boot camps for construction business owners to help them get their companies to work. He is also a licensed professional business coach and the founder of **Hardhat BIZSCHOOL** online university for contractors.

## GEORGE WANTS TO HELP YOU BUILD & GROW YOUR BIZ!

Email George for information about **speaking** to your organization, get involved in his **BIZCOACH** group programs, attend a ‘**Profit-Builder Circle**’, join one of his ongoing peer mastermind **BIZGROUPS**, or signup for online classes at **Hardhat BIZSCHOOL**.



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## GEORGE HEDLEY WANTS TO HELP YOUR CONSTRUCTION BUSINESS GROW & INCREASE PROFITS!



### *EMAIL ME INFORMATION ON HOW GEORGE CAN HELP ME:*

- Grow My Business & Win More Work
- Make More Money & Increase Our Profit
- Build A Strong Accountable Management Team
- Get Organized, In-Control & Improve Field Productivity
- Draft A Winning Business Plan
- Install Written Systems That Deliver Consistent Results
- Build A BIZ That Works Without Me Doing All The Work!

### *I AM ALSO INTERESTED IN:*

- Participating In A Regular **BIZ-COACH** group coaching program
- Attending A 2 Day **Profit-Builder Circle Academy** BIZ-Building Bootcamp
- Joining An Ongoing Executive Mastermind Peer Construction Business Owner **BIZ-GROUP**
- Working With George Personally To Develop Our **Strategic BIZ-Plan**
- Working With George 1 On 1 As A Mentor & **BIZ-COACH**
- Having George **Speak** At Our Company Or Association

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