



Growing Your Company Profit in 2011



By Les Cunningham

Most of the companies I met with in 2010 were not doing the amount of business they want to do and *need* to do. I can guarantee that you also will not get what you want and what you need unless you change your efforts in 2011.

The ways in which business is being done have changed. Most of us know this, but the problem is that we have not been keeping track of what works; the “throw it all at the wall and see what sticks” approach still rules. Worse, every time you talk with someone or go to an industry

gathering, you hear the “experts” tell you their latest and greatest ideas. Problem is, you do not have any way to verify that what they are telling you is in fact true.

I have found that the real “experts” are people just like you. The challenge is to determine if these people know what is actually working and what is not. In order to do that, you have to know the right way to go about getting some answers:

1. You have to know the right questions to ask them.
2. You have to trust, but verify, that they

know what they are talking about

3. You need to confirm that they are speaking to you based on their hard data and not from opinion
4. You need to know that what is working for them is profitable, not just based on jobs booked solely to bring cash through the business.

No. 1: Know the Right Questions to Ask

No one question is going to give you all of the answers you seek. The real key is to

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ask interrelated questions, then do some math and determine if things add up.

If, for instance, you know their average job size in dollars, their bid gross profit, their produced gross profit and their net profit before taxes, you will learn a great deal about them. The first thing you will know, based on their response time and the clarity of their answers, is whether or not they really know their numbers or whether they're just making them up on the spot.

Second, you will know pretty quickly whether or not their answers add up correctly. For example, if their average job size is \$1,000 and they do 1,000 jobs, their volume would be \$1,000,000. I think that you get the idea; if the numbers do not add up, you need to ask additional questions to determine if they are just blowing smoke.

No. 2: Trust, But Verify

As they start opening up, ask different, yet related, questions that will require the same answer as you have previously been given. For example, if they tell you that they make a net profit of 20% before taxes on their volume, ask them near the beginning of the conversation about their volume amount and, later on, ask them what their average dollar job size is and how many jobs they do in a week, month or year.

I think that you can see that, as you get answers to these different questions, you can do the math and see if it confirms what they have been telling you.

No. 3: Hard Data Trumps Opinion

Everyone has met someone who sounds very knowledgeable and who speaks with great conviction and authority. In such cases I've found what can give you true insight into their business is to find out how they keep their records.

For example, if they have one person in the company that handles all leads that come into the company, you might want to know what they use to write down their leads on. As you remember, when you first started out, it was easy to just fill out a simple piece of paper to tell people what needed to be done. As you grew and began to go from one job a week to one job a day, it began to be much busier.

Let's assume that you estimated most of the jobs that were called in, but you did not get all of them. The jobs that you actually completed were kept track of in your accounting system, sure, but that's not enough: you need to know how many Leads, Bids and Sales come through your business at any given time.

When you know this information, you can more accurately compare companies with each other, especially when you

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know their average job size and the total amount of jobs that they produce weekly, monthly and yearly.

As a company grows, it gets harder and harder to keep track of the numbers until, finally, the realization sets in that one person simply can't keep track of everything. It also follows that there needs to be a system put in place that can be and is used the same way by all members of the company.

No. 4: Cash Flow is Nice, But Profit is King

Your business is one that makes a profit. Without profit there is no room for growth, no room for wages, no room for incentives and no room for people that will stay with the company.

Just because you get a lot of work does not mean that you are making a lot of profit. I've found that most profit comes when you get a quick in-and-out job. The longer you are working on a job, the more time there is for someone to question every line item, every cost and every step you've taken.

Think about the time it takes to do a water job vs. the time it takes to do a structure job. A water job is quick, while structure job takes much, much longer to complete. The interesting thing is, a lot of companies are seduced by the larger volumes of the structure jobs. They assume that they will therefore make more



money. In theory, that is true, but it will be less profitable, because as the job gets larger, most companies go in at a lower bid margin. They don't mention this, but again, by doing some crosschecking based on the answers that you get, you can figure out the details.

When it comes down to it, my overall concern is this: after you talk with someone, when you go back to your company

and try to duplicate what you've been told, if you have not, intentionally or not, been given the straight facts, you will be unable to duplicate the system not because of any fault of yours, but because *it does not work*.

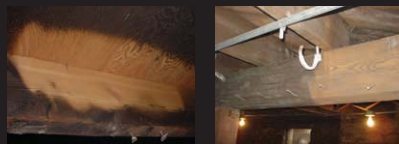
Hopefully you'll figure this out sooner than later, but it can cost you a lot of time and money while you're trying to work out what went wrong. **R-R**



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