

To Be or Not To Be a Storm Player

by Les Cunningham

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Have you noticed that as the weather is warming up, your flow of business is slowing down? Have you ever wondered about doing storm work outside of your geographic area? There is a great Southern saying along the lines of, "If you wanna run with the Big Dogs, you hafta get your puppy butt off the porch."

"So Les, what are you trying to say?" What I'm trying to say is that a lot of contractors talk about doing storm work, but only a few contractors actually go out and do storm work. The question is, which one are you going to be this year? I am not suggesting that you just rush out and jump right into storm work; I am, however, suggesting you take a serious look at it.

A company that will go unnamed was doing storm work for the last few years. They operated in the \$25,000 to \$30,000 range; sound good so far? The bad news is, they lost money every year except for their most recent. What do you think happened to cause the positive change? Did they:

- Get tired of the thrill of losing money every year?
- Get tired of being scared spit-less when there was no storm in sight and they were running out of work?
- Get tired of being adrenalin junkies who like to feel that they could go to the edge and always come back to do it again?
- Not know any better and thought a large volume was cool and would give them a big ego and great bragging rights?
- Feel the backlash from their silent partner who decided to take action?



In this situation, the last answer is the correct answer. Their silent partner – the bank – decided things had to change, if they were going to continue the relationship. Sometimes an owner forgets the Golden Rule, which is, "He who has the gold rules." Banks have the right to call their

loan at any time, and most of us would not be able to cover the loan in

most cases. Not to mention that, when one bank calls their loan, other banks are usually not very willing to cover a loan position another bank wants out of.

What the bank wanted was to get their money out of the company. What they actually got out of their efforts was to get the company in a profitable position. This gave the bank a very different view of the company and a desire to again partner with this now-much-healthier company.

Wondering how can any company consistently lose money every year and still be around to talk about it? Most of us can relate to robbing Peter to pay Paul; most of us have been there more times than we would like to admit. It isn't too much of a problem, as long as we can find another Peter to rob!

No company likes being in this kind of situation. When it happens, it causes the pucker factor to go to maximum intensity. We may even start to take work at a price we know is low, because we want to try to keep the company intact so that we will be around when another storm shows up.

It seems like a lot of companies get trapped by the lure of a lot of work and the belief that they can make a lot of money. As you know, the industry landscape is littered with failed companies that were sucked into the trap of thinking that large storms will never stop occurring, so why worry about future work? A lot of restoration contractors are optimists, and it comes back to bite them big time. Not that there is anything wrong with being optimistic (as long as you have the cash flow to back it up).

The large storm job seems to have three levels of opportunity:

- Level One is getting the job
- Level Two is producing the job
- Level Three is getting paid for the job

To further complicate the job, let's put it outside your usual geographic operating area. Suddenly you are working in an environment that may be quite different from what you are used to. Enter Murphy's Law: "What can go wrong will go wrong." The reality is that O'Toole's Law usually takes over (O'Toole believes, "Murphy is an eternal optimist."). What does storm work entail? For starters, you have to be willing to take higher risks than you normally take in your day-to-day business operations. I've watched a lot of approaches by different companies regarding how they do storm work. To date, this is the best model I've seen:

The company has branch offices in strategic locations to address storm areas they want to work in. This allows them to be viewed as locals, and not carpetbaggers from out of state.

The branch offices need to generate their own yearly book of business on an on-going basis. This allows the branch to stand on his feet economically and not be a drain on the company during storm-free times.

The branch offices will supply labor and equipment as determined by the home office. Most of the time, some part of the organization is slower than other parts of the organization; these slow periods provide an opportunity to fill in as needed on a large loss. They already know the "company way" and are able to start working with little to no training on the loss.

The storm team must be able to have its own facilities in which to live and function while they work the storm area.

You must get paid in a timely manner, especially the final payment.

Are you able to do storm work? A storm is a different animal and requires some additional skills and attributes. Will a competitor tell you what you have to do? Would you tell a competitor how to compete against you? Probably not.

Most contractors that I've worked with are very street smart and are quite capable of doing whatever they decide that they want to do. That said, they are certainly capable of surviving and thriving in a storm environment. A few issues to consider include: will the company back home be able to survive while the boss and some of the key employees are away? Are you and your employees able to tolerate the time away from your families? Are the families able to tolerate the time that their mom or dad is away from the family?

Are you interested in finding out what has to be done? Meeting those who you might need to be working with? Would it be smart to find out what is involved in advance of committing your company to working a storm?

The first effort to put all of the players together in one place is going to happen in New Orleans, June 17-18 at the National Disaster Reconstruction Expo. Our industry continues to change and this is a prime example of that.

See you in New Orleans!

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