



BUSINESS NETWORKS PRESENTS
10 WAYS TO BOOST YOUR
CONSTRUCTION PROFITS

THE GUIDE FOR FINDING HIDDEN PROFIT OPPORTUNITIES

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Letter from author



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Profit is the Sweat of Discipline

Business usually involves profits—and at the end of the day, as business owners and managers, we seek to constantly optimize our work to create more profit. However, often the discussion about profit leads itself to the type of product and marketplace as the leading factors - rather than the process. Product choice is a very important topic, but they are highly situational and deal largely with individual opportunities. I want to talk about creating better profits in the day-to-day practice. I want to talk about the assets and hidden opportunities that every business owner can take advantage of right now: the highly moldable opportunities that can take a standard service and turn it into a spectacular company.

We have assembled ten such opportunities for your review today. It is my hope that you take this information, and it gives you fruit to determine where your business can grow in the future.

Tip #1 : Business Plan

Actually Build and *Follow* Your Business Plan

No Plan. No Future.

I start with this topic because it's probably one of the most spoken, yet ignored, business strategies. Many business owners make the mistake of thinking that having customers is the same as having a successful business. You need to have a plan for how to expand, manage, and control your business—and then you need to execute that plan. Many contractors, despite being planners by trade, fail to realize that their businesses need a plan for the same reason.

It usually takes a person three to five years to find out that they're losing money in their business. By then, it's usually too late to turn the business around. Construction companies are no exception; in fact, I've had the loathsome task of having to tell a number of construction company owners that they were not suited to the business. They didn't take the news kindly, but it was better to hear it from me than suffer a slow death in the marketplace.

*“If you don't define your marketplace, it will define you.
It will define when you work, when you sleep, who your
friends are, and then your bankruptcy statement.”*

To combat this brutal reality, which bleeds at the profit center and core of every business owner, one must plan for what he or she in his or her business. That way, when it comes to decision-making, the owner has control rather than the marketplace.

Here are some questions to ask yourself:

1. What key performance indicators (KPI's) allow you, as a business owner, to identify problems and make effective decisions quickly to resolve them?
2. What profit will you need per project to cover costs + overhead?
3. Can you afford consistent marketing to grow your business?
4. How will you acquire new customers in your business?
5. How much money do you want to bring home?
6. How will you pay for large equipment purchases like trucks and tools? Have you accounted for these in your overhead costs?
7. Emust, torem volores temporest qui venecp elitat ex etur se et pliat fugit vendissitas. Tes rae quidia dolest ipidus.

Pro Tip

As you build your business plan, establish dates on your calendar that you will review and analyze your strategy. Use your key performance indicators to hold you, and your stakeholders, accountable to the performance. If you come in over, reward your team. If you come in under, evaluate why your strategy did not succeed.

“One of the largest profit generators of a business is a sound strategy that has accounted as many variables as possible. If your system is built to sustain change, you will save countless dollars that flow down to your bottom-line.”

Tip #2: CRM Management

Implement Project Management Software

Understand your business faster

Software Matters

To stay competitive, cost control on every project has become essential, and even the smallest businesses need to have an effective way of organizing their jobs. If you aren't using software to run your projects, you should start looking.

To help with that search, here's a list of software that I see our clients using and getting good results with:

- **ACT** – This relationship manager is packed with helpful features to ensure transparency and that your employees are on the same page, while providing a superior customer experience for your clients.
- **Client Runner** – This program combines project management, relationship marketing, and analytics in one platform, making an easy one-stop shop for sales and marketing.
- **Luxor** – This is a software-as-a-service software that is entirely online, which helps in keeping data accessible and centralized. Its mobile-friendly approach makes field information easy to reach.

- Outlook – Surprisingly, while not as suited as other choices to organize projects, Outlook provides customer database, scheduling, and team planning tools that you can use to keep your projects focused.
- Restoration Manager – This Xactimate facing solution is cloud-based, and can help you save pictures, notes, and other details about your projects to reduce waste and improve solution tracking for when clients want to clarify the work you have done.
- Xactimate – This is an insurance-estimation program that allows the business owner to estimate how much an insurance repair might cost. It doesn't have as many global CRM solutions but can be invaluable in ensuring you are bidding the right amount.
- Some other solutions include: DASH, JPP, and Salesforce.

Boost Results

I have personally seen how clients have used software to organize their projects. Moving from a paper-based, non-centralized database to a social, integrated system can save company's up to 50% in their current admin costs simply because of more accurate bidding, results tracking, and general communication. Software has become a must.

“Project management software has become a must in the building business. I can guarantee that if you aren't using it, your competition is.”

Tip #3: Hidden Overhead

Reduce Your Overhead with Hidden Opportunities

Every business has overhead that can and should be removed

Every business has overhead - but every business owner has redundant costs that should and can be removed. Think it's that hard? Let me use a real example:

A client was setting a goal for 2014. His existing overhead was projected to be \$890,000 through December 31, 2013. He agreed to cut his overhead by 5 percent in 2014. After much discussion regarding how he would accomplish the 5 percent decrease, he decided that he would instead decrease his overhead for 2014 by \$45,000—a tad more than 5 percent. He then set an exact number that he and members of his company were held accountable for getting done. The company members were asked to determine how each of them could play their part in a 5 percent reduction in expenditures for which they were each responsible.

Habits Cost

A lot of overhead is actually due to bad habits. As business owners, it's an important goal to identify what habits your team currently employs that aren't efficiently using resources. Then, it's the process of fixing those habits to make savings that benefit the entire company.

Let's use a more typical example for overhead

So let's use an example that is pretty typical of most companies. Let's talk about a simple reduction of electricity—by 5 percent. When you leave a room, knowing you are headed out to the field, would it make sense to turn the lights in your work area off? Would it be possible to turn off the little heater that you have under your desk? Would it be possible to turn off any of your electronic tools that you use for work? The first thing that any of us are going to ask, especially employees, is this: “What's in it for me to help reduce company costs?” Well, there are several responses that come to mind, but how about the fact that the company is going to save money. When the company saves money, it allows the company to generate higher profits. Increased profit gives the company many options for future business and future growth. Without profit in the company, the company is an undesirable place for all employees.

Bring Overhead in as a discussion to all stakeholders

Everyone is responsible for and capable of creating a positive impact in the company. That's the culture you want to set. If you want to make a change in overhead cost, explain why its important to your team, and then ask them to adjust their behavior to do so. Build a clear set of guidelines and rules that identify the methods you will use, and if your team successfully follows them, reward them.

This ownership mentality is important to remember, because if your team does not feel they will benefit from this change, your overhead costs will not change.

“Everyone is responsible for and capable of creating a positive impact in the company.”

Tip #4: Accountability

Hold and Reward Your Team According To Your Business Goals

Be Clear and Concise, and then Hold The Line

When you have someone else buying product, managing a project, or communicating with a client, they need to know the boundaries of their budget and timelines upfront. The same goes with the boundaries of their job. If they know exactly what they are being measured too, you will have more valuable employees.

A big question that business owners often ask me is, “How do I do that?” and “What tactics should I use?” Here are some suggestions:

- Arrange to give each employee a performance review within the first sixty days of 2016. This review needs to be based on how well they performed in 2015 regarding their written job description. This will set the bar for what their expected performance needs to be in 2016. The process of reviewing each member of the company should be done on an annual basis.
- Discuss with your field employees the need to be on time and on budget for each job they do. The on-time and on-budget numbers are generated from the estimate that has been completed each job. By meeting weekly to review how each job budget is progressing, intelligent adjustments can be made in the best interests of job profitability. This process needs to be done on all jobs.

Create an Upfront Employee Contract

Set an upfront contract with each member of the company to give them a compensation adjustment review in July and August of 2014. This needs to be done on a yearly basis and conducted separately from the performance review. The most important concept that each employee needs to understand is that compensation can go up, it can stay the same or it can go down based on the performance of the employee. Each individual needs to be judged based on the jobs they have worked on and that they have completed over the last year. If they brought their jobs in on time, they get to keep their job for the next year at the same pay. If their jobs came in early and under budget, reward them with some of the savings the company saw as a result. If their jobs came in late and over budget, I would suggest that you write them the best letter of recommendation that you've ever written... then walk them over to your competition.

Clear Agreement

Many business owners may not realize that much of an employee's accountability comes down to the expectations made at the yearly review, and at first, the hiring process. Make your contract and expectations clear at the beginning, so your team knows exactly what they will have to go through to succeed.

"The most important concept is that each employee needs to understand that compensation can go up, stay the same, or go down based on performance of the employee."

Tip #5: Billing For Assets

Always account for the equipment in your bidding prices.

Many contractors forget that they need to account for and charge for assets like their trucks and tools, even if they can use them over many different jobs. If you don't, suddenly you will have huge capital costs that come directly out of your bottom line three or four years down the line.

Here's an example that illustrates a good reason to charge for your assets. A new construction company owner already owns a truck that he decides to use for business. He does good work and many clients refer him, but he is able to close many deals because he charges far less than his competition. Why? Because he doesn't have the direct expense attributed to assets such as trucks. As a result, he believes he is simply cheaper because his overhead is less significant.

However, one day on a project, his truck completely fails and he needs to make a new purchase. In a flurry of desperation, he makes a new purchase instantly, dropping a \$45,000 purchase on a lift-gate equipped truck that comes directly out his cash flow. Now he's trying to collect early on his payments to float this "disaster".

*"Charge for use of your assets.
Your clients are renting your
equipment and should help af-
ford the cost"*

Disasters are averted by having a savings, but you accumulate that savings and sustain a healthy profit margin by accounting for your assets in your project bids. Charge for them--your clients are renting your equipment and should help offset the cost.

Tip #6: Staff-Project Fit

A staff structure can determine how much profit you make.

Hiring Strategy is Big. Here's just one idea...

As you know, hiring someone can be extremely time and resource expensive. By hiring employees in the right order, and at the right time, you can delegate resources in a manner that frees your time rather than consume it.

One common choice business owners deal with is hiring contractors vs hiring full time workers. Knowing the difference here can be very important when deciding what type of culture and overhead you want to maintain. On the following page we will discuss some strategies that clarify why type of structure we are looking for in a particular situation.

Why Profit Making?

If you organize your jobs and company with the right structure you can make smoother decisions with less emotional weight. You should always look for opportunities to make your company lightweight - and that principle will extend to the type of people, and the roles they have in your company during any part of the business cycle.

Hire Based on the Variable Project Size

If you have a very consistent project size because you understand your market and profit ratios, then it might profit to have workers on staff. The gains received by nailing your system will be aided by having familiar, efficient workers on the project. However, on the other hand, if your projects range wildly from 100%-300% in their bid prices, then you have different scopes that require different abilities. You will have contractions and booms. Full-time employees will become burdens when you are small, and will become stressed when you are too big. In this case, it's better to have contractors to apply their skill sets and control your costs more effectively.

Fit Staff To Project

A good rule of thumb with this idea: If you have variable project sizes, hire a variable contractor staff. If you have a very consistent product, consider hiring a more permanent position set-up. In every situation, consider your alternatives.

Hire Base on the Culture - And Keep Them.

Loyalty

Its incredibly hard to put a price on loyalty, and as a business owner, loyalty is the key to succession and expansion. Do whatever you can to sustain the loyalty in your key employees.

You should keep your key production managers and leads on staff at a certain size, because they will sustain your business when you are busy on another project. They establish a culture, and because they are part of your company, they know that when the company does well they do well. Also, you should vet these individuals with questions about how they handle bidding conflicts and delays in project management, and see what resolution strategies they use. These markers will help you decide what culture you will foster when you hire these key positions.

Tip #7: Comparison

Take every opportunity to ask questions and compare results.

Sharing Results Fuels Passionate Ideas

It's extremely important to find others in your industry who can relate, and share their ideas about what has or has not worked. Groups like Business Networks allow owners to compare their individual's numbers and ask questions about how other owners got there.

There are quite a few resources for a business owner to reach out to these days. The key is to stay connected with peers who understand your business and can easily pinpoint difficult areas that they found solutions and you in-turn can do the same for them. Business is not meant to be a world of self-reliance, rather interdependence.

That being said, it's difficult to know if the solutions being presented are, in fact, solvent. Many business owners spew out data like they are the holy grail of solutions, but when you actually look at their business or way of doing business, it seems like they are not as effective as it first seems. That's why it's important to have a clear way of verifying a strategy and seeing its outcome if someone else has touted its success. That means learning how to ask the right questions, at the right time, to create a foundation of trust.

Remodeling Leader

A good business networking group should have a strong facilitator and wealth of tangible, accessible information. Several groups help connect industry partners in non-competing marketplaces. Business Networks is an excellent example of this type of network, with a proprietary database of contractor business numbers for every business.

Tip #8: MOTIVATE WITHIN

Your employees are your greatest business asset - use them!

Motivation Through Clarity

One of the best ways to create profit is to improve productivity—or the amount of work getting done in a unit of time. In construction, labor is a major cost center; try these strategies to align your business goals with your team:

UPFRONT CONTRACT:

Negotiate what both the company and the employee need to get done prior to the start of the job. You and the employee have to win and get what you want. Have a “win-win” or “no-deal” agreement between you.

Basically, jobs must come in on time; the company needs to make a profit and continue the services of the employees at the wages the employees need to receive. The employee must be part of the solution the company has contracted for.

This “win-win” or “no-deal” ([link is external](#)) must be agreed to prior to the start of either the company bidding work or the employee doing work for the company.

Transparency

Transparency is one of the most important things a business owner can have. It builds the essential foundation for trust, and trust builds the foundation for loyalty. Remember, your employees and their loyalty will directly correlate to the success of your company.

Motivation through Understanding

Based on the premise that you are paying your employee competitive wages, employees are motivated by four ideas, before wages enter the picture.

- The employee feels appreciated in the company.
- The employee feels that they are in the know about what is going on within the company.
- You as their supervisor have an understanding attitude when the employee has to do something such as attend their child's t-ball game or stay home with a sick child.
- They feel that their job is secure.

“Your team will be the deciding factor between success and failure in growing a successful business.”

Tip #9: CONSULTING

An outside perspective can bring clarity unavailable in house.

Find Profit Opportunities From the Outside-In

When you are not sure what to do to clean up your P&L, sometimes it's best to bring in an expert who can give you a bird's-eye view. Consultants can identify opportunities for cost savings that business owners are often too close to see.

There are different types of consultants in the business world, and it's important to know what consultants typically do in the field to make your business more effective. I have found that most consultants do the following:

- A preliminary phone call that takes a couple of hours to determine exactly what the client wants to change.
 - Employee Interviews to determine the employee's perspective about what is going well and what could be going better.
 - (Sometimes) Blind surveys that gather information from employees on how they perceive administration and their role in the company.
 - An onsite consultation day where team members are made aware of each other, with an analysis of the strengths, weaknesses, and threats that the team can whittle down to create effective solutions for the company.
 - A follow-up report that provides a review for each department and, in some cases, for employees. After this, a list of action items on how to address these concerns is supplied to the business owner.
 - A follow-up phone call to review the follow-up report, so the owner can make good decisions on the information supplied.
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Tip #10: PROJECT SELECTION

Once You Know Your Marketplace, Stay the Path

Beware Low-Hanging Fruit

Many companies, especially when starting, take low paying jobs to establish credibility in the marketplace. As you grow, you should scale your marketplace to find new clients who are accustomed to and capable of paying amounts that make your profits. Bid for profitable projects, and leave the less profitable bids on the table for the rest of the contractors to fight over.

To solve this issue, we must draw our attention back to the first suggestion we made in this Ebook—creating and following a business plan. If, as a business owner, you decide to only grab projects that the marketplace defines for you, the only place for you to make a profit is in cost-savings and

product quality. That leads to underpaid employees and underfunded equipment. However, if you establish what you want first in your business plan, it's already very clear what types of projects you can afford to take. You are creating momentum based on what you and your business needs.

Remember that the size of the contract is very deceiving. Its compatibility with your business is what counts. Your goal as a business owner should be to find a niche in a marketplace and ruthlessly identify those targets and create solutions for them. By doing this, you create cost-savings naturally, and your customers will trust you and pay you your worth because they do not factor risk.



Business Networks For Contractors

Business Networks helps business owners and their teams continually improve their companies. Business Networks is a unique program that provides intensive business training for contractors and other small business owners through group workshops. You will be placed in a network with other like companies, but not competitors with each other. Remodeling companies will work together with other remodeling companies, restoration companies will work together with other restoration companies, and home builders will work together with other home builders.

In addition to focusing on your business, there are social activities and networking. Network members attend both dinners and social events together. Close friendships and bonds often form among network members which last a lifetime.

From simple to complex operations, from small to large volumes, Business Networks can help.