



# **Business Planning for Contractors 2009-2010**

**Part 2**



**I**n Part 1 of Business Planning we ended with “Have you tried direct mail advertising? What have you tried that generated the type of leads you want? That is where to invest your money. Check the results monthly and adjust your advertising as needed.”

If you are not getting the type of leads you want, or if you are getting leads from customers whose only focus is price, you are advertising in the wrong place. This also frequently happens when you are working by referral only. You end up with leads that are a waste of your time.

### › STEPS TO PLANNING

*“Always keep the attitude of: “Where can we save?” not “Where can we cut?” ”*

What else do we need to plan for 2010? Below is a list of the things that need to be resolved. Using the stats you compiled from 2009, it should be a relatively easy task.

But first, there are two thoughts you need to keep in mind as you go through this exercise.

1. Always keep the attitude of: “Where can we save?” not “Where can we cut?”

The attitude of “Where can we save?” means thoroughly analyzing the subject at hand. What is it, where and how is it used? Can we use it differently or in conjunction with other things? What can we do to reduce the cost of owning or operating the item? Can we extend its life? Can we reduce the maintenance required for successful operation? Saving costs requires taking a long-term view and making a smart, well-thought-out decision.

The attitude of “Where can we cut?” is an emotional reaction. It means eliminating something completely so you can save money today, but it doesn’t view the long term effect. Normally this happens after little thought other than eliminating that expense.

The two are as different as night and day and the prudent contractor will always focus on saving rather than cutting.

2. I read a quote recently from one of my favorite guys, Brian Tracy. He said, “Decisiveness is a characteristic of high-

performing men and women. Almost any decision is better than no decision at all.”

Decide to give this 2010 planning session your best effort. Spend quality time each day working on your plans and goals for 2010. Don't give it lip service, like reading through this newsletter and telling yourself you will get to it right after Christmas.

You will get out of this exercise exactly what you put into it. Give it your best effort and one year from now you will be amazed at the results.

### › 2009 PLANNING CHECKLIST

#### TAXES



This needs to be a priority. Make it a goal to have all of your tax materials together and ready to go to your CPA by the end of January, 2010. Call your CPA now and schedule an appointment for the last week of January to be sure you follow through. Taxes are a distraction.

#### OFFICE

- What is your budget for office equipment for 2010?
- What new equipment do you need?
- What equipment needs to be repaired or replaced?
- Is the traffic flow in your office efficient or do you need to rework or remodel your office next year?
- Do you have staff members that might function better in a different place in the office?
- Is your showroom a collection area for almost anything that comes in the front door, or is it kept neat, clean and ready to help your customers?
- Are parking spaces in front of the office reserved for visitors only? Staff, subs and suppliers should park away from the front entry so your customers have easy access to your front door.

#### STAFF IMAGE

- What is your budget for office staff for 2010?
- Are classes or seminars available for your office staff to help

them perform?

- Do you have a plan in place to take key people to at least one convention this year?



- Do you have a plan in place to purchase (and read) at least one new book each month?
- Is there someone you can bring in, a coach, a consultant, or a trainer that can provide appropriate training for you or your staff? Do you have problems or issues that warrant that?
- Have you scheduled year-end reviews for each member of your staff (which should include reading and signing your employee manual)?

This review should include an analysis of their performance in 2009. Ask yourself this question for each employee:

- Do I need this person in this job?
- Are they doing the job they have been hired to do?
- Should I combine two or more jobs, or should I hire another to share their workload?

Here are some additional questions about your employees:

- Are they willing to cross train for other jobs?
- Can they help doing the cross training of other employees?
- Should this person be asked to take a position with more responsibility?
- Could I find a replacement that would do a better job?

### **COMPANY FORMS**

- What is your budget for paperwork for 2010?
- Does your contract need updating? (Very few don't)
- Do you have pre-printed Change Work Order forms?
- Do you have pre-printed Right of Rescission forms?
- Do you keep about one month of paperwork in reserve?
- Is your company's Employee Manual up to date, with a copy on file for every employee? Has everyone signed the manual?
- Is your Sub-Contractor Manual up to date?
- Are you using a Sub-Contractor Agreement Manual with a separate form for each job? Are all your subs required to sign the agreement before they are allowed onto any job site?
- Do you have a standard checklist in place to check that your

subs' licenses, bonds, and insurance are always up to date?

- Does your company provide or help with obtaining financing for your customers?
- Do you have a checklist to cover every step that needs to be taken to obtain the financing needed for your work?

### **TOOLS & EQUIPMENT**



- What is your budget for tools and equipment for 2010?
- Do you have a list of each tool or equipment owned by the company complete with serial numbers, make, model and instruction books?
- What needs to be repaired?
- What needs to be replaced?
- Did you spend more in 2009 to rent equipment that you would have spent purchasing the same equipment?
- What will be your maintenance cost for the year for T & E?
- Do you have equipment in storage that should be sold?

### **VEHICLES**

- Are all of your vehicle licenses up to date? Do you have all the VIN #s and license plate numbers written down and easily accessible?
- Are all your trailers legal, including lights, license and weight postings?
- Did you pay more in 2009 for moving equipment to different job sites than you would have spent if you had a trailer for that equipment?
- What vehicle(s) needs to be repaired?
- What needs to be replaced?
- Do you have a written maintenance schedule in place for each vehicle?

### **INVENTORY**

Plain and simple, you should not have any inventory. If you have leftovers from a job, take them back to the supplier and pay the restock fee. It is far cheaper than maintaining a storage facility.

*“What educational programs do you need for yourself and your staff?”*

### › EDUCATION FOR 2010

What educational programs do you need for yourself and your staff? After your review of 2009, you should notice if you or your staff need outside instruction on how to do things more efficiently and/or more profitably.

As stated above under “Staff,” plan on adding at least one new book to the company library each month. Place someone in charge of the library, checking books in and out so they don’t wander away permanently.

Attend at least one convention in 2010. You should be able to take your key people with you. This is not a fun-and-games trip, this is an educational trip. You and your staff should take advantage of every class available.

### › ASSOCIATIONS

Are you involved with an association? If you are, it is time to ask some tough questions. It is all too easy to get caught up in association work and involvement at the expense of both your business and your family.

If you are on the Board of Directors, is it taking time away from your business that results in costing you money? You need to look long and hard at your level of involvement and weigh the value of the time and money you are investing compared to the return you are getting. Yes, you need to give something back to the industry. You also need to take care of your own business. All too often company owners work through the chairs of their association while their business goes from bad to worse, then bankrupt.

Associations are very good for our business in general and for your particular business. No question. They provide political clout to keep bureaucrats and elected people focused on what is important. They provide marketing that can be a boost for your business. And the networking available, the ability to spend time with others who fight the same battles you fight, is invaluable. But make darned sure that your involvement stays balanced with the discretionary time you have available for your business and family.

### › FINANCIAL CHECK UP FOR YOUR COMPANY

Just as you would schedule your vehicles and equipment for regular maintenance, scheduling a financial check-up for your company is a sound idea.

Whether managing cash flow, determining whether you can afford employee salary increases or projecting sales figures for the next quarter, a frequent review of your financial position is beneficial to keep your company running smoothly and will help in avoiding problems that could derail your progress.

Please keep in mind that almost all financial problems of any construction company show warning signs well in advance. I have

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written about the Eight Warning Signs of Financial Problems that appear in construction-related businesses in these newsletters, and discuss it in the Markup & Profit Video. Ignore them at your own peril.

If you are new in business or have been in business less than two years, check your financial position at least every other month. After that you should have enough experience to check

things about every six months and make adjustments as needed.

The key issue here, gang, is to put the financial checkup in writing, with check lists and a definite schedule, then make darned sure you do it. No excuses, no stories, no procrastination. “Get-R-Done.”

### › WRAPPING IT UP

I have been through eight cycles in this business over the last forty years. Things repeat themselves every five to seven years in this business so what you are seeing today in our economy is normal. The economic adjustment we are going through has nothing to do with the present administration, what the media thinks (or doesn't), what any political party or candidate likes or doesn't like, believe or doesn't believe. This is America at work.

When you get married, it is for better or worse, richer or poorer. When you go into business, there are peaks and valleys, good with the bad. If you can't handle the current market adjustment, which

will probably hang around until after our next presidential election, now is a good time to call it quits and find something else to do. We wish you well.

For those of you that see this downturn as an opportunity to polish both your sales skills and the way you run your business, you will find many rewards in the near future.

Michael Stone ([www.markupandprofit.com](http://www.markupandprofit.com)), author of two construction business management books, "Markup and Profit; A Contractor's Guide" and "Profitable Sales, A Contractor's Guide" has more than four decades of experience in the building and remodeling industry. He provides Coaching and Consulting services for construction companies throughout the U.S., as well as audio and CD programs for business management. He can be reached by e-mail at [michael@markupandprofit.com](mailto:michael@markupandprofit.com), by phone at 1-888-944-0044, or on the web at [www.markupandprofit.com](http://www.markupandprofit.com).