مدیریت کسب‌وکار در صنعت ساخت
(Construction Business Management)

ماژول پیش‌نیاز: اصول بنیادین

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What we will learn?

- Your role as owner of your construction firm
- Leadership (setting the course)
- Leadership in times of uncertainty
- Manager vs. Owner/shareholder
- The entrepreneur mindset
- Managing risk
- Establishing your corporate culture
- Striving for excellence
- Hiring the right people
- Knowing your industry
- Coordinating resources
- Keeping in touch
- Being there
- Little habits with big payoffs
- Getting involved

Your Role As Owner of Your Construction Firm

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Introduction

- Remember, you **build a business** from the top down and from the inside out.

- Be assured you **lead**, not push,

  your way to **profitability**.

- *This holds whether it is a **two-person firm** or a **200,000 corporate** behemoth –*

  Michael H. Mescon and Timothy S. Mescon, Atlanta Business Chronicle

So
you should assume three major titles

Introduction

- As owner of your own business, you assume three **major titles**:
  1. Leader,
  2. Manager, and
  3. Stockholder.

- You will **define these roles uniquely** for yourself as you **grow in each area** of responsibility.

Below are the **challenges you will face**.

Leadership (Setting the Course)

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Introduction

- A leader is someone who visualizes and communicates an **objective** with so much passion and influence that **people** around **him** internalize it and deal with it as their own.

- **Instead of being driven** by their leader, they follow, yet they are the source of the leader's power.

This needs to convert vision to reality!

Vision to reality: The required path

- Obviously, action is required if a vision is to **become reality**.
- Here is the required route from **idea to making it happen**.
  1. Birth of the vision or idea
  2. Go/no-go decision
  3. Commitment
  4. Plan
  5. Execution

Do we need to be smarter than anyone?

Vision to reality: The required path

- Your job as leader **doesn't require you to be smarter** or **know more than everyone** else in the company.
- Certainly, John F. Kennedy did **not have the kind of training** and **knowledge those who carried out** the moon mission had.
  - Wise leaders hire people who **know more** than they do and who **complement** their own strengths.

Don't we need to know about our work?

Vision to reality: The required path

- As the one who has to keep the big picture in focus, you must know your industry, and you have to **know enough** to
  - Ask your key people the right questions,
  - Evaluate their responses,
  - Redirect them when your instincts tell you it's necessary, and
  - Hold them accountable.

Vision to reality: The required path

- The bonds that enable you to lead are based on trust, which you must build and protect with your **every word and deed**.

Once trust is broken, it can be impossible to repair.

Leaders and managers?

Leaders and managers are different from each other

- In On Becoming a Leader, Warren Bennis differentiates between leaders and managers:

  "The manager does things right; the leader does the right thing."

- Leaders have followers.

  Leaders assume responsibility for whatever happens

Leaders and managers are different from each other

- On the other hand, **entrepreneurial leaders** don’t always have the skills or temperament to be the **most effective managers**, and often must **hire one to carry out** their vision.

What to do if we are not a manager?

Leaders and managers are different from each other

- Most intelligent, motivated people can be **trained as managers**— to organize people, money, time, information, and systems and procedures.
- **If after getting your start-up** off the ground you decide that you may **not be the manager your company needs**, then **develop a strong manager** who can complement your leadership.

Leaders and managers are different from each other

- As your **organization's successes grow**, **some of your employees** will see you as **more important than themselves**,

  bigger than life even, as **we all want to think our leaders are better** than us.

- **But shake off the tendency** to accept the glory,

  remembering that a **leader is nothing without followers**.

  - **Know who you are** and resist the **occasional temptation** to portray a different you.
  - Your employees will **appreciate your realness**, and
    - your power to lead will only grow from it.

Is it about our ego?

Tame the ego

- A **certain amount of ego** is **inevitable** in a high-achieving person, who probably would **not have excelled** without a **lot of self-confidence**.
  - But you're **not likely to meet a successful business owner** who does not attribute some measure of his success to good timing or good luck or some combination of the two.
  - Certainly, intelligence, leadership, hard work, and other qualities are involved but **there's not much room** for ego in the equation.

Do you think we should praise people?

Tame the ego

- Once when I was a **junior-level manager with Shell Oil** Company not long out of college, my **boss praised the outcome** of a project **I was responsible** for in the presence of a valuable, long-time outside **vendor and me.**
- It was the **vendor who had actually done** the job I had given him,

  but I hadn't shared the credit with him at that moment when we **were all there together.**

  - My boss **privately pointed out my error** to me later.
    - ✓ This principle is especially **applicable to your relationship with your employees**, e.g., **when a customer makes a positive comment** about some aspect of a project.

      Give those responsible the credit they deserve.

Leadership in Times of Uncertainty

Introduction

- There's **no circumstance** in which **leadership is more critical** than in times of **crisis or doubt.**
- Author and speaker John Maxwell talks about the **characteristics of leaders** and their followers in **times of uncertainty**.
- He says leaders study the actions of **earlier successful leaders**,
  1. **Give hope** to their followers,
  2. Convey **compassion**,
  3. **Act with courage** that others can draw on, and
  4. Provide a **feeling of security** to their people by **staying close to them**.

Business failure case study

- While **businesses** often focus on **challenge coming from outside** the organization, **crisis** often stems **from within**, as was the case in the **following example** in my history.
  - *When my company was about ten years old we had developed several new chain store customers during the past year and our "old" customers were going stronger than ever.*
  - *We had ended a good year, and had built up some cash reserves over the longer term.*

Business failure case study

- While **businesses** often focus on **challenge coming from outside** the organization, **crisis** often stems **from within**, as was the case in the following example in my history.
  - *So, over a period of months I hired a couple more project managers, increased the administrative and accounting staffs, extensively expanded and remodeled offices, created a second layer of management between me and my jobsite superintendents, and implemented the latest new construction software and hardware (which was very expensive in those early days of computers and specialized software).*
  - *All of this meant increased overhead, confusion and loss of time learning and converting to the new system, the dead-cost transition period for new employees, and a* ***focus on infrastructure rather than operations.***

Business failure case study

- At this point, I had made <u>two unforgiving mistakes</u>:
  1. First, because of the good results of that prior year, and a good history altogether, **I lapsed into the faulty thinking that the next year** and the next and the next would be just as good.
  2. Secondly, I had **taken my eye off the ball**—the business of running my business— and with all the extraneous activity I had put into motion, I had set up my employees to take theirs off the ball as well.
     - All that **non-productive in-house activity** was time-consuming and distracting to all of my employees and to me, and it was **eating cash voraciously**.
     - Even without the events that were to follow, described below, the consequences of my **management errors** were sufficient to, at best, throw any **small business off course.**

Business failure case study

- *Within the next few months, three of my customers who had shown every outward indication of continuing business as usual filed for bankruptcy.*
- *The economic climate was bad for other of our customers as well, and we had trouble getting paid on several projects we had under construction.*
- *We had disastrous performance problems on one of our jobs that ended up with a large loss.*

Business failure case study

- First **went our working capital**, then our **cash reserves**.
- When my audited yearend financial statements were completed, they showed that the **company had lost twice the amount of money** the in-house monthly statements had been showing.
- This started the **dominos to tumble.**
- The new bank I had switched to before all the trouble began **cancelled my line of credit and called in the balance due.**
- My **surety company** of ten years cancelled my **bonding line.**
- I was faced with going **beyond the company's reserves** well **into my personal assets**.
    - However, a cash infusion from my **personal accounts was no promise of success**, and failure then would mean the **additional loss of the money** I had loaned the company, and a **blow to the wherewithal I would need to start over** in that event.

Business failure case study

- I had **lost control by failing** to lead and manage well.
- Now there was a **crisis** and **leadership** was doubly required.
- I **put the money in**, and with this the company had **digested new cash**, including its reserves, amounting to a million dollars just to see another day.

Business failure case study

- My job now was to lead the company to **safe ground.**
- There was a strongly positive side to the equation: I had the g**oodwill and dedication of my employees** and a **long record of good business practices**

  with our customers, suppliers and subcontractors, insurance and bonding agent, and certified public accountant, and I drew heavily on these **precious intangible assets.**
- We **contacted our materials vendors** with an explanation and a **request for more lenient terms: Sixty to seventy-five days** to pay the accounts that we had scrupulously paid in thirty days historically, which would result in a **significant improvement** in our cash position.
  - I don't recall that even one of the suppliers balked.

Business failure case study

- Most of our small subcontractors required mo**re frequent payment but bent as much as they could.**
- My project managers and in-house accountant **met weekly to decide how to divide the still scarce cash among the creditors**.
- I approached a **bank executive at my former bank who agreed against all of the bank's policy guidelines** to issue an **irrevocable letter of credit** for my use in securing a bonding line.
- With this, **my bond agent was able to arrange for the performance and payment bonds** I needed.
- Some of **my key employees agreed to take cuts in pay**, and **I suspended my own.**

Business failure case study

- From the beginning **I offered encouragement to my employees**.
- I let them know **I understood what they were going** through and that **I was going through it with them.**
- I **slashed overhead** to the point of agony.
- At the same time I needed more than ever to keep business rolling in the door and find ways to **further reduce overhead**.
- **My managers' jobs** were to carry out their **usual functions plus bear the burden imposed on** them by our financial plight.
- They were used to a **lot of autonomy but now they needed a reason to believe that what they were going through was not futile**.
- I **agonized with them** but **failure was never discussed as an option.**

Business failure case study

- My **employees deserve the credit for our survival** and I owe them a **debt of gratitude** that can never be fully paid.

- It took us **two years to recover the losses** and **get back to "normal" operation**, and to my knowledge **none of our customers were ever negatively affected by our financial problems.**

- All of our creditors were **paid what they were due, even if late.**

Business failure case study

- I **take full responsibility** for the problems of that time in the **mid-1980s.**
- It is true that there were some **circumstances out of my control**, such as the **bankruptcies**,

  but part of **my job** as owner of my firm was to **anticipate** what may go wrong and to **have a plan in place to deal** with it.
- It's **not practical** to plan for an asteroid striking Earth or a **nuclear attack,**

  but **bankrupt and slow-paying customers** and vicious economic cycles must be **included in your business planning**.

Business failure case study

What did I learn from this experience?

- That being **laser-focused** on the part of my business that **generates income** requires the **highest priority**.
- That **past performance** is **no promise of success** going forward.
- That there is **no substitute** for <u>dedicated, capable employees</u>.
- That I need to stay as **close as possible** to where the <u>money is made or lost</u> with the least possible insulation separating me from that.
- That building up **cash reserves is essential**.
- That **managing relationships** fairly with **business associates** during <u>good times builds up a cache of goodwill and trust</u> that can be drawn on in **not-so-good times.**
- That **contingency plans** must be in place for all practically **imaginable pitfalls**.
- And that **without effective leadership**, ill **winds are certain.**

Manager Vs. Owner/Shareholder

Owner vs. manager

- If your company is like most **small construction firms**, you have the **twin** but **separate responsibilities** of owner and manager.
- As owner, you decide the goals and objectives for the business.
- As manager your job is to **carry them out** by
  organizing, planning, controlling, directing, and communicating.

Owner vs. manager

- Several times each year, you must **stand back** from your desk and objectively **compare your performance** as manager against the **objectives** you previously set as owner.
- You may be satisfied with the results you see or you may find them not what you had expected.
  - If the latter is the case, **you as manager** must dig out and **"report" the reasons** for your less-than-expected performance.
  - Then you the **owner must decide** what internal **changes are required** that you the manager must now accomplish.

Owner vs. manager

- **Failure** to **separate and fulfill** and overview each role **independently** can result in

  acceptance of things the way they are,

  instead of recognizing any departure of performance from expectations and self-imposing the discipline necessary for adjustment.

- The problem is that **things don't remain "the way they are":**

  Without critical evaluation and effective management, they go downhill.

The Entrepreneur Mindset

Entrepreneur mindset

- People who envision and create **their own business** usually do so on the **entrepreneurial model**,

  in which they keep the **strategic planning** and **problem solving** to themselves.

- Having had the dream, taken the risks, and birthed their business pretty much **by their own** courage, wit, and determination,

  they don't easily share the controls with others—

  no matter how capable their employees or advisors may be.

- For many entrepreneurs it's **much easier to direct others**

  than to assign areas of authority and responsibility, require accountability, and allow capable people to operate with autonomy.

Entrepreneur mindset

- Certainly **many businesses thrive** for years and years in the **entrepreneurial mode**, but with **sacrifices**.
- That is not to say you **should not** be the **final authority** in all matters.
- It needs to be clear that **once you've considered others' input—as you'd better—** it is **you who makes the final** decision.
  - If your decision at times seems to **fly in the face of all the advice** you've received,

    that **doesn't mean** you could have or would have **made the same decision without it.**

Managing Risk

Managing risk from entrepreneur perspective

- **Let’s face it:** Construction is a risky business.
  - But **no business** worth spending your time in, that I’m aware of, is **risk free**.

- The first step in managing risk is **knowing where it lies.**

Managing risk from entrepreneur perspective

- Some areas of **contractor risk** are obvious:
  - Estimators make mistakes.
  - Contractors' payment applications are delayed.
  - Owners don't pay on time.
  - Contractors cannot or do not reduce fixed overhead fast enough in rough times.
  - It rains for two months while the job is coming out of the ground.
  - Subcontractors don't perform as required, or go broke.
  - Suppliers don't meet schedules.
  - The cost of certain materials spikes unexpectedly.
  - Jobsite accidents occur.
  - The insurance company denies a claim.
  - Owners dispute claims for change orders.
  - A key employee quits.
  - Non-documented site conditions present themselves r
  - Owners file for bankruptcy.
  - Contractors' cash runs short.
  - Suppliers cut off credit.
  - And on and on.

Managing risk from entrepreneur perspective

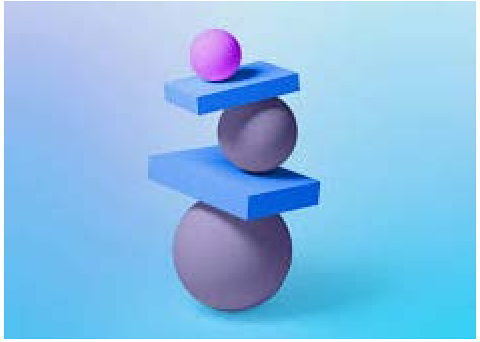
- We take for **granted the ready availability** of common building materials, but many essential items including steel, concrete, plywood, and gypsum board have become **scarce from time to time**.
- Custom materials made for a **specific application** are potentially **more of a problem**, and it's up to you to evaluate the reliability of their chains of supply, whose **failure to deliver** could severely hurt your job.
- You **may be able** to identify a backup source in advance in the event of a primary vendor's failure to perform,

  but **even that solution** may increase your project cost and time.

Managing risk from entrepreneur perspective

- The bottom line about risk is that
  1. **You must identify** your various exposures,
  2. Decide the **potential impact** of each, and
  3. Do **what you can do** to manage it both internally and externally.

- For those exposures that cannot be eliminated, you must **develop plans** that can be **implemented quickly** if required to minimize the impact on your company.



Establishing Your Corporate Culture

Corporate culture

- A company's culture might best be understood in the answer to the question,

  "What's it like to work here?"

  - For instance, can you tell the boss when you think he is wrong?
  - What employee behaviors get rewarded? Ignored? Punished?
  - What's really important around here, anyway?

Corporate culture

- **Every company** has <u>its own culture </u>whether by **design or by default**.
  - If by <u>default</u>, the owner and the employees may not **even be conscious** of their organization's culture, but it exists just the same.
    - ✓ You may **never write a memo** that states a **dress code or proclaims** that **you're open to new ideas**,

      but **any employee that's worth the space** he occupies in your office **watches your behavior and listens** to your words for clues to your priorities.

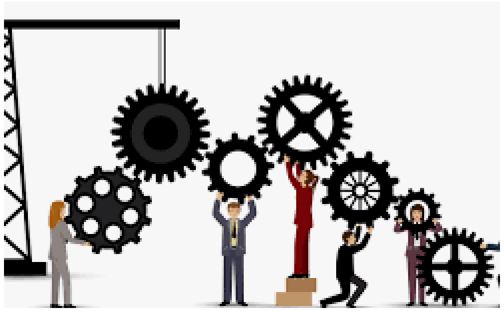
Corporate culture

- Michael H. Mescon, founder and chairman of Atlanta, GA-based business consulting firm The Mescon Group (now HA&W Mescon Group), says

  organizations are built from the top down and from inside out.

  - The quality of the employees you hire,
  - The way you relate to them and to people outside the company, and
  - The systems you establish for responsibility and accountability

  all communicate your values and expectations to the people who work for you.



Corporate culture

- Here are **other examples** of the way culture develops within and to some degree defines an organization.
  - If **you average a ten-hour workday** yourself, your project managers are not likely to drag in late or leave urgent details hanging when they go home for the day.
  - If **you wear pressed khakis** to the office regularly, you probably won't see office employees in cutoffs and sneakers even if you've never mentioned such an expectation.
  - If you **usually reject your employees' suggestions** that involve new challenges, don't expect them to bring in unusual projects.
  - If you're **cool-headed in a crisis situation** (as you'd better be) your employees are **probably going to examine how they might react** in similar situations.

Corporate culture

- You **may have written** a set of values that you've **hung on the walls around your office** that describes how you'd like your company to run.

- It might include words and phrases like, *"We strive for excellent quality," "Customer care is priority one," "Empowerment of our employees ," or "Integrity above all."*

- But **these are ideals (and generalizations)** and **don't always describe** the culture that **actually exists in the firm.**

Corporate culture

- **Unfortunately**, your culture is **best seen by** your subcontractors or your attorney or your customers.
  - That is, **until you synchronize** what actually exists with what you want, it will be **impossible to follow the course** you've charted:
    You'll try to steer in the direction you want to go, but your ship will go in another.

Corporate culture

- So, **knowing yourself—truly seeing yourself (your firm)** as you really are—is the first step in **putting your values and your culture** in sync with each other.
  - However, you cannot **fake it.**
  - As a small business **owner close to your employees**, <u>you are more or less transparent.</u>
  - **Don't try to sell beliefs** and values that are **different from the real you**.

    No one will buy them.

Striving For Excellence

Strive for excellence

- If you as the leader of your organization **do not practice excellence** yourself, you **will not be able to successfully demand** it from your associates, and you and your **customers will not see excellence** in your company on any consistent basis.
  - The concept of excellence **cannot simply be worn as a badge**.
  - It must **come from** your **conviction** that it is crucial to your success and from your **unrelenting requirement** that it be met as it is **defined for the various functions** of your firm.
- Your employees, and certainly those in managerial positions, **must internalize it** as well.

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Strive for excellence

- While it is **possible to fail** in any endeavor even with the strongest dedication to excellence,

  I have **rarely seen enduring success** in any individual or business organization in which **excellence** at all levels was **not demanded and practiced** from within.
- Excellence is not just "getting by" with the **minimum requirements** of the task or project at hand and it is **not merely a slogan.**
- It means that what may pass as **"satisfactory" performance** to others is **unacceptable to you.**
- It is an internal standard that you and your top-echelon employees establish for **every level** of your organization and **demand that it be met.**

  the reports your bookkeeper produces; for your cost estimates; in placing the concrete foundations you build; in the finishes in the buildings you turn over to project owners; for your relationships within your company and with your customers and others outside; in the image you and your employees project for all the world to see; etc.

Strive for excellence

- **Don’t confuse** excellence with perfection.
  - Set as your goal, excellence is consistently achievable.
  - Perfection is an ideal that is **neither practical nor affordable** in the commercial world.

Hiring The Right People

Hiring the right people

- One of your **critical functions** as leader is to identify, hire, and groom your **firm's future talent** for key positions within the company and, some day, even your own.

- Of course, in the **early stages** of your business you may **fill all of the key roles** yourself.

Hiring the right people

- Don’t compromise.

- **Before you decide** to include someone in your business circle,

  thoroughly **research his qualifications** with respect to <u>your requirements</u>, and his **business and personal reputation**.

  - Don’t base decisions on **initial cost alone**.

Hiring the right people

- A **commonsense rule** is to hire **only people you like**.
- **Regardless** of an employee’s **qualifications**,

  you’re **probably not going to stick** with him long term **if you don’t like** him and vice-versa.

  - On the other hand, of course, **personal compatibility** is **no guarantee** that he will **satisfy** your business needs.

Knowing Your Industry

Knowing the industry

- You should know
  - **Basics of the construction business** in general and of your **selected field within** the industry;
  - Its role in the **national economy**; and
  - **How it's affected** by various economic, regulatory, and political factors.
- You learn these things through experience, by paying close attention to local and national events and trends, and through construction industry advocacy groups.
- There's **no substitute** for business-reading on a **regular basis**.
  - Routine reading is part of your continuing education.

Knowing the industry

- You can get a **lot of ideas** from **organizations that are linked to your field** of specialization within the construction industry, e.g., retail stores or shopping centers.

Knowing the industry

- As your **company grows**, you will sometimes wonder **whether you know enough** to keep up with it and to grow it to the **next stage**.

- The familiar saying *"It's lonely at the top"* is true partially because it's **not possible for another person** to **imagine** your identical circumstances.

Knowing the industry

- The **time will come** in your growth when you will need an <u>outside advisor or mentor</u>.

- Your **CPA and your attorney** will be helpful, and you will **depend on their advice** in the course of business.

- **But** close friends, family members, and people you do business with regularly including those professionals **may not give you objective opinions outside** their fields,

  finding it **uncomfortable to disagree** with your ideas.

Knowing the industry

- **Seek out two or three small- to medium-size business owners** who are successful in their fields and approach them on the subject of **meeting you once or from time to time** to discuss business issues.

- Choose people whose experience can **fill in the gaps in your own.**

- **Offer to pay for their time** so they will understand that you **want more from them** than casual conversation.

Knowing the industry

- Becoming **active in civic organizations** is another excellent way to **meet people who may be just the right advisors** for you.

- This way, you have the **advantage of learning** some of their characteristics before deciding whether to approach them.

Coordinating Resources

Coordinating resources

- It's **up to you** to **establish and maintain** the basic elements required to carry on the business.
- You **may delegate** some of these functions to key employees,

  but **others require handling by you**, the owner,

  especially in a **small company**, and

  always in the **beginning**.

Coordinating resources

- Those you should **handle yourself** include
  - Controlling your finances;
  - Maintaining banking relationships, including working capital and line of credit if necessary;
  - Securing business and project insurance coverage;
  - Providing office space and business equipment;
  - Implementing certain business and field operating procedures including the handling of bank statements, cash receipts, and payment of invoices;
  - Coordinating marketing and business development;
  - Selecting your outside professionals (CPA, lawyers, insurance agent); and
  - Hiring key employees.

Coordinating resources

- Your **foremost resource** is your employees, and it’s **solely your responsibility** to
  1. Identify and develop key personnel and
  2. Future leaders of your company.
     - **Don’t delegate** this critical responsibility.

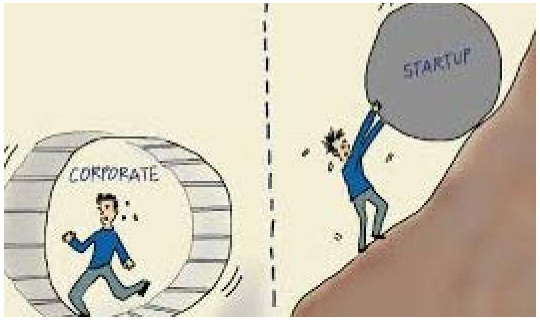
Keeping in Touch

Keeping in Touch

- In a **start-up business** the entrepreneur is likely to be the **person answering the phones** and **taking out the trash.**

- You may do this by **staying in touch** to the appropriate degree with **every aspect of your business**,

  even as you **grow larger.**



Keeping in Touch

- This **doesn't mean** that you micromanage.
  - If you've put the **right people** in place, that's **counterproductive.**
  - **But if** you frequently drop by one of your project managers' office and **sit down with him** for a few minutes you'll **get a sense of how things** are going on in his projects.
  - When you **stop at a jobsite**, look around, and chat with your superintendent and subcontractors, **you'll know more** (For instance, a disorganized, unkempt jobsite always raises a caution flag to me.)
    - ✓ If something **doesn't feel quite right to you**, it probably isn't, so delve into it until you know **why**.
      - Compare what you **observe on your own** with the **reports you get back** at the office.

Keeping in Touch

- Take a break in your **bookkeeper's office.**
  - Do you get a sense that the **financial paper flow** is **running smoothly**?
  - **Can he explain** to your satisfaction **what's behind the numbers** on the reports?
  - **Ask probing questions** about your financial statements until they **make sense** to you.

Keeping in Touch

- Author and businessman Pat Croce talks about his “Five-Fifteen” management tool. On Fridays, he says,
  - **Each of his employees** spends **fifteen minutes** writing a progress report on his own goals and successes for the week and **emails them up the line** to the next supervisory level.
  - Eventually the **reports trickle up to Croce**, who spends five minutes reading each one and **perhaps sending it back down the line** with an **appreciative comment** (thus the “five-fifteen” terminology).

Keeping in Touch

- He says the writers **see it not as a chore** but as an opportunity to showcase their achievements.
- And to Croce, it is a way to stay in close touch with his people and to know what's going on.

Keeping in Touch

- **Through communication** you can create an open and cooperative environment in your firm.

- Letting your employees **know your goals** for the company and **giving them feedback** on a regular basis
    1. Creates excitement,
    2. Promotes teamwork, and
    3. Allows your people to

       make your goals their goals.

Being There

Being there

- Your employees, subcontractors, suppliers, bankers, and customers **see you** as the **"rock"** of your firm in which they place **their trust.**
- **Seeing you** on jobsites and in your office,

  hearing you on the phone,

  knowing you're available when they need you—

  all these help keep **their security index steady.**
- Remember that your work <u>ethic</u>, <u>involvement</u>, and <u>dedication</u> set the **tone for everyone around you.**
- **Habitually** come in late, leave early, spend too much time out of pocket, and you **will pay the price.**

Measuring Results

Measuring results

- Once you've **established objectives** for your firm, you can weigh them **against real performance.**

- When considering the **"size" of your business**, think **not only** in terms of <u>contract volume</u>

  but also—and more **importantly—profits**.

- *It's a matter of keeping your eye on the ball.*

  *Focusing on contract volume can distract you from the number that matters: **profit**.*

Marketing

Marketing

- As **small general contractors** do **not usually have** a marketing or sales department as such, this function probably falls upon you as the **owner** of your firm.

- Sales and marketing are discussed in "Sales, marketing and business development."

Little Habits With Big Payoffs

Little habits with big payoffs

- Here are a **few simple habits** you can easily develop that are certain to have a **positive impact** on your effectiveness.

Little habits with big payoffs

- Seek to do business with and employ only people of **quality and competence**.
- Use an **effective system for** making and storing information on the spot, checking your calendar, making appointments, recording your brilliant ideas, etc., and keep it with you.
- Maintain **confidentiality** as appropriate.
  - No matter what they tell you to the contrary, very few people can manage sensitive information prudently (i.e., keep a secret).

Little habits with big payoffs

- **Mind your thoughts.**
  - A. P. Sherman, writing in Entrepreneur, quotes Paula Adkins, a senior executive at General Dynamics Corp., as saying,

    "Small people talk about people, medium people talk about events, and big people talk about ideas."
- **Keep your word.**
  - This depends on **two factors**: intent, and committing to only **what you can produce.**
- **Take time to think.**
  - This refers to **two modes** of thought:

    Focus on

    1. A specific issue or issues; and
    2. Unstructured thought in which your mind is set free.

Little habits with big payoffs

- It’s hard to do this in the rush of the day.
- Try it in your car or in your office at home.
- Your business success will be roughly proportional to the **time you spend** with external stimuli turned off and your brain in gear.

Everything important begins with a **thought**.

Little habits with big payoffs

- Listen before speaking.
- Stay close to your people.
- Know what they do and think.
- Be frugal, especially in the early years.
- Order of spending priorities should be paying taxes, building cash reserves, and paying down debt.
- Forever live beneath your financial means.
- Be sure your **employees know the circumstances** under which you are to be notified immediately, such as

  potential legal issues, significant customer disputes, events that may affect profitability, and public relations concerns.

Little habits with big payoffs

- **Read** every day.

- Completion of **formal training** is not the end of learning but the **beginning of a never-ending habit** of reading that you must adopt.

- A Chinese proverb says, *"Learning is a treasure that accompanies its owner everywhere."*

- Without an effective reading habit, we **cannot reach our potential**.

Getting Involved

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Getting involved

- In addition to **industry advocacy organizations** mentioned earlier, you can join other more **general business groups**.

مدیریت کسب‌وکار در صنعت ساخت
(Construction Business Management)

ماژول پیش‌نیاز: اصول بنیادین

بخش سوم: فروش، بازاریابی و توسعه

ارائه دهنده:

سید محمدرضا علوی‌پور

(PhD, PMP, CMIT)

CMAA Authorized Trainer

دانشگاه Illinois Tech آمریکا

What we will learn?

- Sales, marketing, and business development
- Industry introduction
- What is a contractor's business?
- Construction economics: the supply and demand curve of contracting
- Marketing materials
- Publicity
- Proposals and presentations
- Staying ahead of the pack
- Impressions
- New customers vs. Old
- Reaching out
- The attitude of successful contracting: no windfalls are left
- Exercises

Sales, Marketing, and Business Development

Introduction

- If you’re a **smaller contractor**, don’t make the **mistake of thinking** marketing and business development apply **only to the big guys**.
  - And **even if you intend** to **stay small**.

How to start?

Introduction

- **Start your marketing effort** by knowing <u>what construction market </u>you’re going to pursue.
  - **Specialization** allows you to **more quickly become known** for the work you do.
- Build your marketing program **around your strengths**.
- Your conversations, correspondence, and marketing materials all should succinctly convey to your prospective customer that *“this is the consultant/contractor who can give me exactly what I need.”*
- If you’re just getting started and have **no history to** show your prospect, <u>take heart</u>.
  - At one time, **every consultant/contractor** you know had **zero projects under his belt**.

Introduction

- **Following is a description of** the marketing materials, actions, and ideas that have **worked for many construction companies**.

The Best Industry in the United States

The construction industry is not going away

- Construction is a basic **necessity to human life**: shelter, food, clothing, and water.
  - Contrastingly, **most manufacturing** will be **leaving this country** over the next few years.

- Construction **cannot be exported**.
  - This is **unlike** service centers, computer programming, or engineering where other **countries provide** it from afar, and then send it back to the United States.

The construction industry rewards hard work.

What does that mean?

Merit-Based

- The construction industry **rewards hard work**.
    - There is **no substitute**.
- We are all **dissatisfied** with the work **ethic today**.
    - When we find it, we reward it.

Let me give you an example:

Merit-Based

- *A person (male or female) comes to you and doesn't speak English well, but has promised to work hard.*
- *You give him or her a chance, and one year later you are glad that you did.*
- *This person kept his or her promise.*
- *Now what will you do? Ignore this employee? Or cut the employee's pay? Of course not!*
- *You will increase this worker's wages and give him or her more responsibility. Construction contractors reward merit.*

Merit-Based

- In a few years, **that same person**, having earned the technical understanding and crew following, might start his or her **own business**.
  - It is **almost expected**.

- After **working in the field**, interacting with clients, and managing labor, it is normal and rational for this person to at least **attempt having his or her own business.**

Merit-Based

- Additionally, the **industry** is also **merit based**.
- Question: what is the **best advertising** in the construction business?
  - A completed project that is on time and on budget.
  - This project speaks volumes about a consultant/contractor's diligence.
  - Good consultants/contractors are in the minority.
  - Word of mouth travels fast.
  - Excellent consultants/contractors have more opportunities for work than their lesser competitors.

Which one achieves higher percentage of profit?

Small is big

- Construction rewards the **small construction firms**.
  - That is, they make a **higher percentage of profit**.
    - ✓ In other words, they do **not have to have “critical mass”** to be profitable.
- **Net profit statistics** consistently show that smaller contractors make a higher percentage of **profit before tax** <u>than their larger brethren do.</u>

- Construction is one of the few industries where the **big don’t eat the small;** the **fast eat the slow**.

Consistently finish quantity takeoff and unit pricing before bid day. This lets you focus on the business of bidding the project, not the technical details.

Tangible?

Tangible

- Our work is visible to everyone.
- We can see it for decades after completing it.
- Construction people show friends, relatives, and potential clients these projects.
- Unlike other industries, we see what we accomplish every day.
- Likewise, there is little **room for puffery**.”

Innovation or experience?

Best earning years later in life

- Construction becomes **more profitable with experience**. Why?

  Because the business is about **people and processes**.

  A senior contractor has had plenty of experience with both.

Know the “sweet spot” of the (1) right project types, (2) the right geographic areas, and (3) the right client type for your company. Consistently profitable contractors are on the look out for, and actively seek, these attributes. In other words, they help make their own luck.

Local

- **Where can** a construction company be **started**? **Anywhere!**
- Construction expertise is **needed in all of the world.**
- It does not need a **port facility or wide open spaces** to operate.
- You can start one **where you live** and that is **family-friendly**, which is an important consideration these days for all working professionals who **want to stay closer to their spouses and children.**
- **Local projects** mean less travel and more time with your loved ones.

No large capital investment needed

- As is legend, **some successful** construction firms have been started **with no money**.
- In this business, **beginning capital** is <u>not a major obstacle</u>.
- This is a **cash flow** and <u>variable cost business</u>.
- What you need is an <u>understanding of the economics</u> and <u>construction craft skills</u>.

Shortage of people wanting to be in this profession

- Industry economists agree that we still have a **shortage of people employed** in construction.
    - Conservatively, the number needed is over 100,000.
- A shortage of anything **drives the price up.**
- Competent construction professionals’ earnings have outstripped **general wage increases** in other industries.
    - That is **job security**, as well as **wealth building**.
- Your parents may remember the **over-supply of engineers** in the 1950s.
    - Oversupply is a **danger to any professional**, but there is **no danger to construction people** in the foreseeable future.

What is a Contractor’s Business?

Construction business

- Defining a **construction business** is a challenging exercise.
- There are so many different types of contractors and types of work.
- We observe over 100 market sectors in the construction industry.
- Now **multiply** that by all the different types of contractors.

What are three steps all contractors should take?

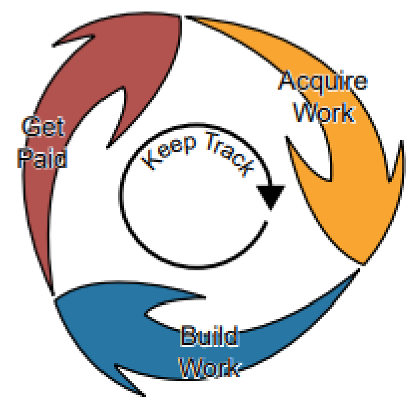
All construction work

- **Regardless** of the type of work and the type of projects, all contractors must perform the following:

1. **Acquire Work**
   - This includes the functions of estimating, pricing, bidding, marketing, and selling.
   - If we estimate and price work,

     but **don't win** any work,

     we would be a **pricing service**.

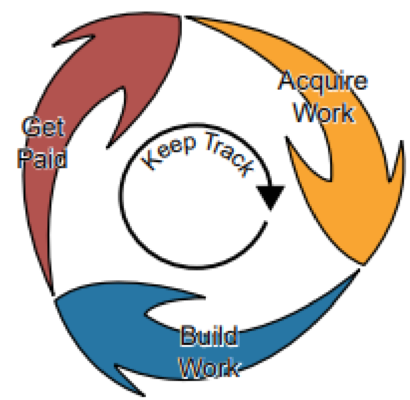


All construction work

- **Regardless** of the type of work and the type of projects, all contractors must perform the following:

  2. **Build Work**

     - This includes the **functions** of project management, field management, material procurement, and labor productivity.
     - Contractors do and love to **install work.**
       - ✓ In this step, **payment** is made by the client.



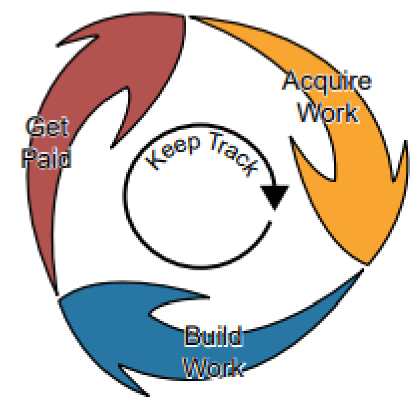
All construction work

- **Regardless** of the type of work and the type of projects, all contractors must perform the following:

  3. **Keep Track**

     - These functions include accounting, financial management, administration, and tax reporting.
     - A majority of contractors **don't enjoy this part**;

       however, it is certainly a **necessary evil** to be in the construction industry.

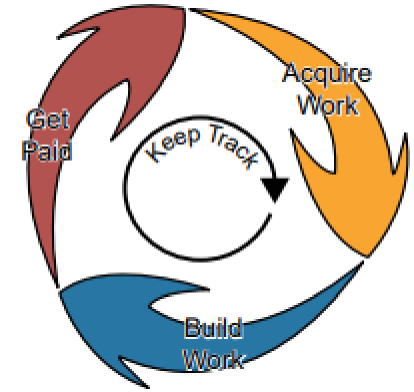


Business process

- **After completing** steps one through three, we **repeat the process**.
- The **speed of this cycle** is where a **competitive** edge resides.
- If you are slower than your competition, you have a **disadvantage**.
- The **faster you are** in this cycle, the **bigger** your competitive edge. It is that simple.

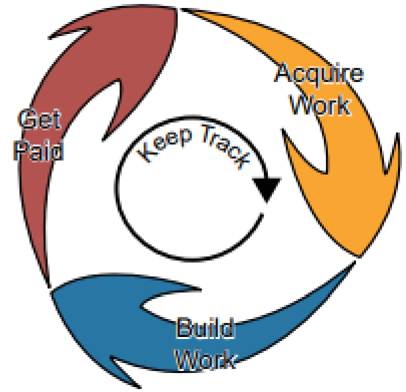
Take time to build takeoff assemblies in your estimating software. This lets simple dimensional takeoffs convert into extended pricing for multiple parts of a job.

You Have Speed, the Other Guy Doesn't. Who Dies?



You Have Speed, the Other Guy Doesn't. Who Dies? Not You.

- **Speed** of process gives a **competitive edge** to any contractor.
- This is not only about working harder every day, but also **working smarter**.
- Those processes that are faster and just as accurate allow you to **earn more** with **less investment**.
- Part of working smart is to **address the risk** that is wholly evident in the industry.
- You have to make sure there are **processes to keep you covered from the liability** that **others will surely try to place on you**.



You Have Speed, the Other Guy Doesn't. Who Dies? Not You.

- In this course,

  you get **over 140 of the best practices** in the construction industry.

  Some may **not strictly apply to you.**

  - However, you can be assured that **over 100 will apply**.

    This means, you can find **100 ways to be faster** tomorrow in your processes.

You Have Speed, the Other Guy Doesn’t. Who Dies? Not You.

- As a **rule of thumb** in a contracting business, you should be turning over your working capital 8 to 12 times a year.
  - As an example, if you have $1,000,000 of working capital, your revenue should be in the range of $8 to $12 million.
    - ✓ That is the speed of process.

You Have Speed, the Other Guy Doesn't. Who Dies? Not You.

- **Read these best practices** and take them to heart.
- They have been researched for **more than a decade** and their value has been confirmed by **dozens of contractors.**
- You will find they are a better approach.

Give your estimators uninterrupted time for quantity takeoff. This is a tedious exercise. Missing important parts means that the price is less, while the cost is the same to build the project. 0 unit quantity times any unit price is 0. This can be a financial disaster.

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Business trends in construction

- **In the 1960s**, the name of the game for construction firms was to get it done, deliver the project, and then, at the end of the job, hash out the financial issues with the client.
- Since that time, **owners have slowly changed**, but change they have.
  - **Clients**, mostly owners, view construction firms as a **resource to be managed.**
  - Owners **understand more** about the construction process than ever before.
  - They involve themselves **deeper in projects.**
    - ✓ This is the owner’s right.
      - However, if the **owners manage the details closer**, we should expect <u>responsive and reliable partners</u>.

Business trends in construction

- Another change has occurred for **specialty contractors** who work for general contractors:

  the business relationship is different.

- There are **two factors**:

  1. The desire of managers not to gain field experience
  2. The rise of the construction management degree

  This has made some prime contractors harder to work with.

More construction management degree

- In practical terms, the construction business is now a tennis match. It is a game.
  - Hit the ball over the net and wait for the return.
  - If there is no return, stop the match and find out why.
  - You cannot continue to serve into an empty court.
  - When you stop the match, you must persuade (or force) the other side to continue to play.

It is very important
Give me some examples

More construction management degree

- As an example, when you **send a request for information**, you should **expect it to be answered** in a timely fashion.
  - **If not**, you, **the contractor**, have to address the problem now.
    - ✓ To install work without needed clarification is **indefensible** and there is **no clear recourse** afterward.
  - It's the **same for** changed orders, pay requests, changed project conditions, and the like.

How to keep score in this business?

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More construction management degree

- Additionally, **keeping score** has a new meaning.
  - Today,
    1. Capturing,
    2. Notifying, and
    3. Tracking

    issues on a project are a **must**.
  - Your primary scoring mechanism is the **Critical Path Method (CPM)** schedule, but this is augmented by **other project documentation**.
    - ✓ This documentation is the **only way you can prove** you are right in your claims.

      By law, you may be right; however, if **you can't prove it**, you aren't right.

More construction management degree

- The following are items that, **if not answered promptly**, might be grounds for a **contractor to stop work** on the entire project or to stop only on the affected part:

1. Monthly draw requests
2. Change order written acknowledgement
3. Request for information (RFI) answers
4. Submittals
5. Product information on owner furnished material
6. Signed and executed contracts

More construction management degree

- Each contractor is aware of the problems caused by **slow or non-responsive clients**.

- This is just **one of the many risks we take,**

  but this is a risk **we can control**.

  - We can affect this and, therefore, direct the project to a satisfactory end.

How?

More construction management degree

- In this industry today, **every contractor** must know an **attorney to call.**
- Fortunately or unfortunately, we have **no lack of attorneys**.
  - **Unless you do a tremendous** amount of work and are in need of more than construction law, our advice is to f**ind a boutique firm or a small, specialty law firm** whose niche is construction.
    - That is, a **1–3 lawyer shop** that works with contractors exclusively.
      - This kind of shop **won't have to learn** about your business on an **hourly basis** and they should know the other side of attorney's habits and personalities well.
      - This aids in your strategy. Should you **litigate or try to settle**?
    - Additionally, **small legal** firms are **not rigid about billing** and they do treat their fees with you in mind.

More construction management degree

- Contracting has changed from the 1960s to now. That is to be expected.

> The only reason a contractor won't win a good job is lack of qualified leads. Finding many potential clients who have a buying profile means one or more of them will have a profitable job and wants to do business with the contractor. In contrast, having only one qualified lead puts pressure on the contractor not to walk away, even if the price and terms are risky.

Construction Economics: The Supply and Demand Curve of Contracting

Supply-demand curve

- In the study of economics, many models are used to illustrate key concepts.
- Some of the models were created to explain **real-world behavior.**
- One of these practical models, shows the dynamics of the **construction industry.**
- The **model is the Supply-Demand Curve**, which is insightful in explaining the **business of contracting**.

Price is the owner's cost

- In other words, when **contracting prices** are high,

  we mean that the market sees a **high cost to build**.

- When **cost is low**, then contractors have **dropped their bid prices** (and, presumably, **decreased profit margins**).

  - When we use the word "cost," it does **not mean the cost of** material or labor to the contractor.

    - ✓ This **use of cost** means the price of our construction services to the market.

Supply and demand

- The **number of contractors** drives <u>capacity</u>.
  - <u>Supply</u> is defined as the number of **qualified contractors** to perform a specific type of work.
    - Hence, a **changing number** of contractors affects the **amount of construction** that **can be installed**.
  - <u>Demand</u> is the **willingness of people** to <u>pay the average price</u> quoted by contractors.

Supply and demand

- What we will discuss is **how a price change affects** demand and supply.

- The **purpose** of this section is to take a **macro or global view** of the industry.
  - For business planning, this is an important item.

- It answers the question:
  - What will I do if demand drops?
  - What is my plan B?
  - Alternatively, how do I take advantage of a price increase, which is an opportunity for more profits?

Supply and demand

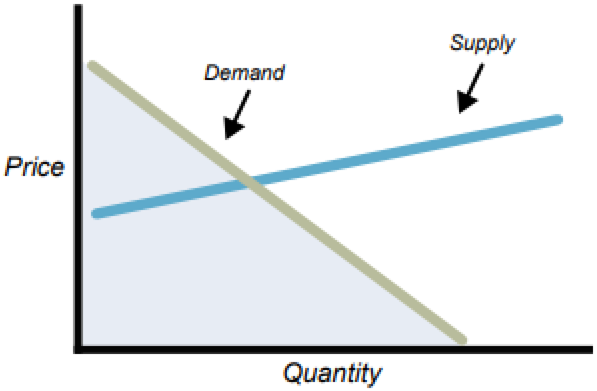

Figure 2.5 Robust Economy: quantity versus price.

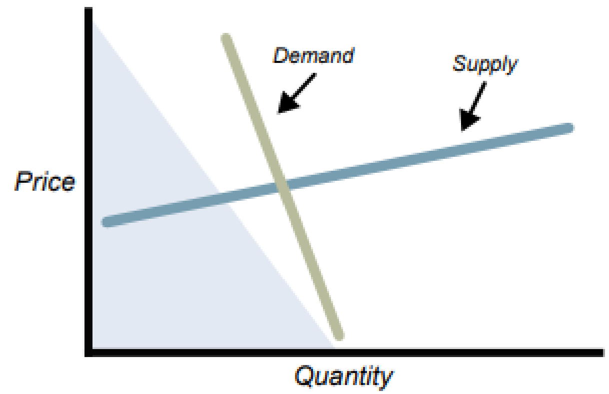

Figure 2.6 Recessional Economy: quantity versus price.

Supply and demand

- That is, the supply or **number of contractors** does **not greatly change** due to an increase or decrease in price (profit).
- People who are **contractors will stay** in the construction business.

They might **make their business smaller**, but they will **still own** a construction firm.

- In construction, the **demand** behaves differently compared to supply.

Why?

- Unlike real estate, contracting is a **long-term skill** which entrants **cannot learn quickly.**
- Real estate is **not an easy profession** either, but it is one that is **widely understood**.
  - If you look at the real estate industry, most of its professionals have **owned property** or a house **before they entered the business**.

Why?

- If **price goes up**, demand lessens.
  - The reason for this is people have **options other than building** a new office, factory, or home.
  - In the **short term**, they will stay in the existing facility and, if necessary, **renovate what** is absolutely essential.
- If the **price goes down**, demand rises.
  - The **inexpensive metal building** (imported) market is an **example of this**.

Use a proven bidding strategy to "leave less money on the table" on each bid. Most bidding strategy is based on quantitative methods. Contractors use the parts of these models that apply to their business and ignore the parts that don't.

Why?

- Contractor supply (the number of contractors) does **not rise or fall markedly** due to price (whether low or high profit margins) in the short term.

  Said another way, the short-term supply of contractors will **not increase or decrease greatly.**

Why?

- **Construction contracting factors** that cause this are as follows:
  - Highly technical
  - High risk
  - Not an attractive professional industry to the general public
  - Competent contractors don’t grow quickly
  - A majority of participants do not desire another field of work

Why?

- Furthermore, as you look at the industry from the early **1960s to the present**, you can see the following:
  - **Constant dollar value** of construction has stayed **relatively flat**.
  - The **number of contractors** has increased three-fold.

Why?

- To state this in a sentence, the number of **construction firms has tripled**, while the **volume of work has stayed the same**.

- Pie has **stayed the same size**, but <u>more people are at the dinner table</u>.
  - Thus, the following effects:
    - ✓ Competition has increased.
    - ✓ Margins have decreased.

Why?

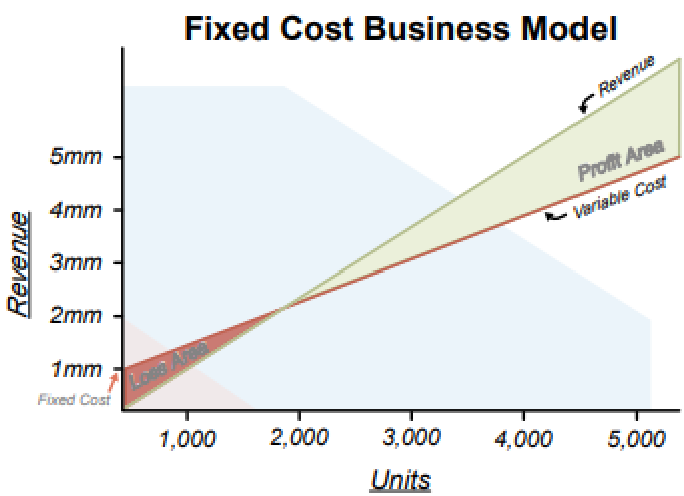

Figure 2.7 The Fixed Cost Dynamic.

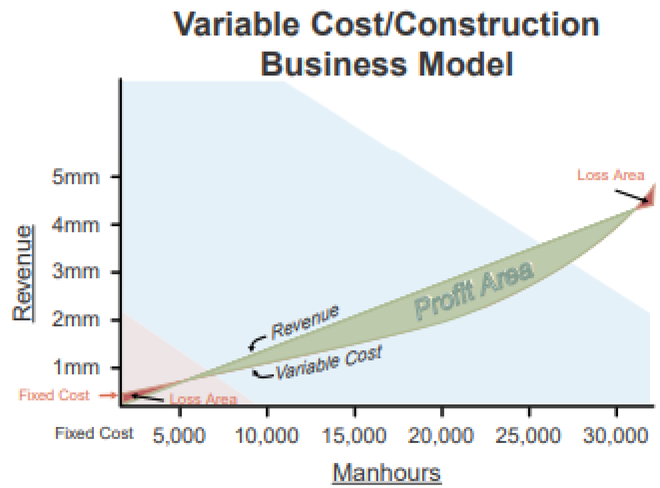

Figure 2.8 The Variable Cost Curve.

Contractors need to know their breakeven cost (direct cost and overhead) of every bid. They know they can only play the "poker game" of negotiating effectively with this knowledge.

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Why?

- It was **easier to make a profit**.
- **Competition** was less and **margins** were stronger.
- As a result, ours is the **second riskiest business** (as a percent of business failures) in the United States and it is **becoming more difficult.**

In contrast, let's look at real estate.

Reasons for the number of realtors?

- Real estate is a profession that is demanding of a **person's time and energy**.
  - However, it is very attractive in terms of financial benefit.

- Many smart people have chosen this as a **career**.
  - However, it is easier to become a realtor than a qualified contractor.

Reasons for the number of realtors?

- The skills demanded are **not highly technical**.
- Real estate is a **sales business**.
- People can **float in and out** of the industry.
- The **licensing** and regulation is **less onerous** than construction.
- The profits can be **superior**.
- **Ninety-plus percent of millionaires** have real estate in their investment portfolios.
- The risk is **less in real estate**.
- People are only at risk for **their time** in real estate.
- The **commission is paid** if the **deal goes** through.
- Typically, an **agent doesn’t pay out** of his or her personal **wealth if a “deal” is poorly managed.**

Marketing Materials

Brochure

- Prepare a **color brochure** consisting of a **single page or a double or tri-fold** that fits in a standard business envelope.
- The brochure tells who you are and **briefly explains why a prospective customer** should do business with you.
- This is intended to present **only enough information** about your company to generate interest.
    - Save the other **details for later**.
- Include a **couple of carefully** selected photos of **completed jobs**.
- **Avoid hype and empty** slogans, mottos, and mission statements.
    - *"We give the best in customer service" is fluff—words that sound nice but don't convey any concrete images.*
        - ✓ It's much more effective to **point out something you've already done.**

Letter of introduction

- Create a **standard letter draft** for prospective customers on your **word processor** that you can tailor as needed for the **specific company you're contacting**.
- Your **letter takes over** where your more **general brochure ends**,
  - So take care to avoid excessive repetition (although some redundancy may be desirable to stress certain points relevant to the specific needs of the project owner you're sending it to) and
  - Limit it to a single page.
- Use a **standard black font**,

white or off-white stationery,

business-letter format, and a

laser printer.

Any graphics and color should be professional and businesslike.

Letter of introduction

Letter of Introduction

YOUR CONSTRUCTION COMPANY
123 Your Street
Dallas, TX

Tel. 012-345-6788 Email myname@_____.com
Fax 012-345-6789 Web site www._____.com

July 18, 2008

Mr. James Smith
Director of Construction
Growing Chain Store, Inc.
Main Street
Chicago, Ill

Re: Your Magnolia and Pine Project, Atlanta, GA

Dear Mr. Smith:

As we discussed on the phone this morning, I will appreciate the opportunity to submit a bid on your planned new store at Magnolia and Pine Streets in Atlanta. As your contractor, my goal will be your complete satisfaction with every aspect of our performance.

As a way of introduction, I've enclosed the following information:

- A brochure that briefly describes our company
- Our Contractor Qualification Statement
- A list of several of our completed as well as under-construction projects

As indicated in the enclosures, we specialize in projects similar to yours. Additional information about my company is available on our Web site, www._____.com.

Thank you for your consideration. I will follow up with you in a few days.
Sincerely,

John Davis
President

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Website

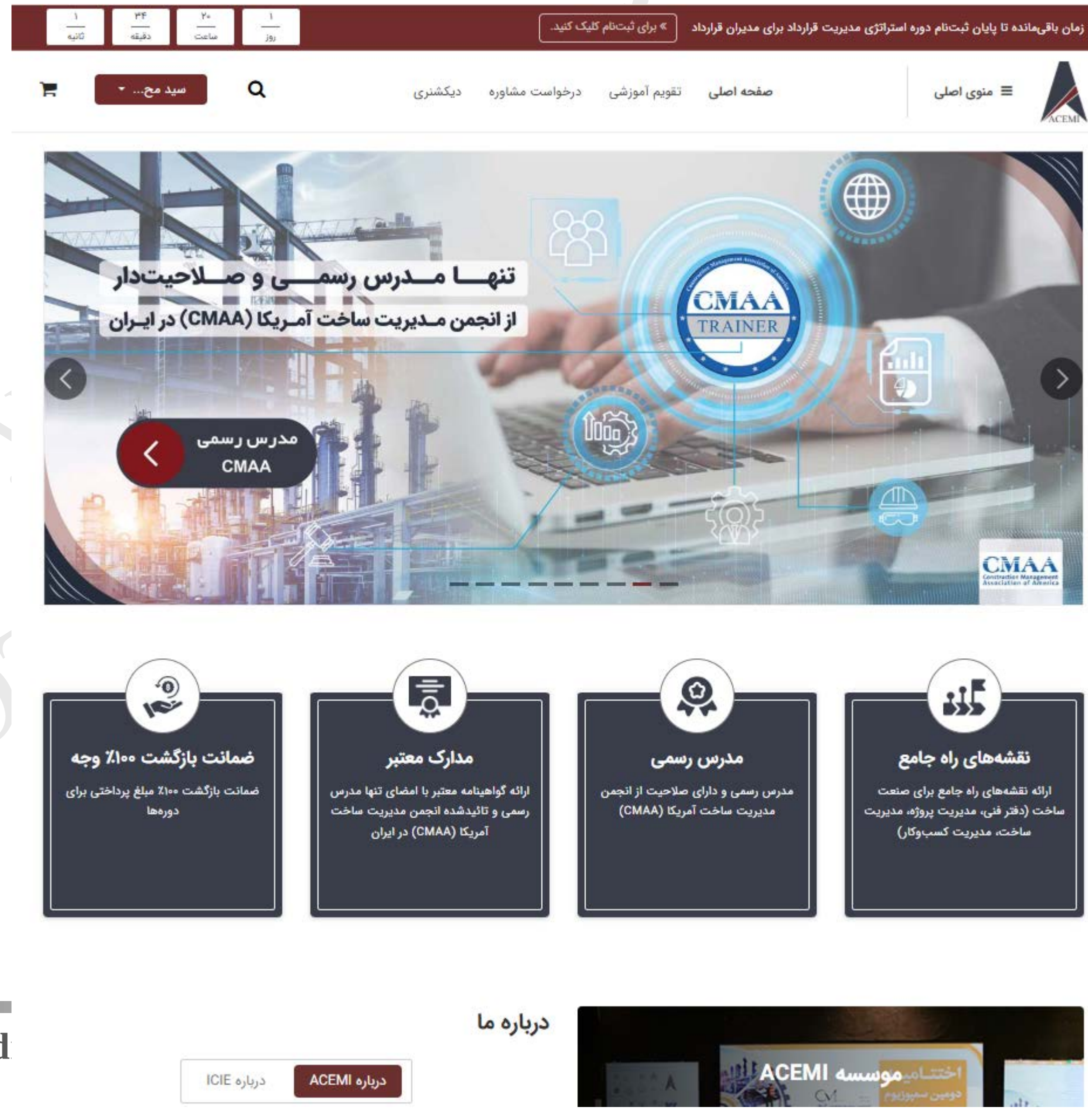
- A **well-designed Website** is an effective way to introduce your firm to prospective customers, as well as job seekers, bankers, and other business connections.
- It can include **extensive information** about your firm, and the reader can select the parts he’s interested in.

- If you’re not qualified to create a top-notch Web site, have it done by a **professional**, and

  be sure it’s designed to get **priority ranking** on the **major search engines** in response to your own **key words and presents** a businesslike appearance.

Website

- You can put a **“customer portal”** on the Internet that will give your customers **round-the-clock access** to information specific to that customer’s project.
- Each customer can be provided his **unique password for access to his page.**



Contractor qualification statement

- Most owners require a formal **statement of your qualifications**.
  - A form usually accepted by all parties is available from the American Institute of Architects (AIA).
  - The AGC has a similar form.
  - These forms require **details about** your
    - ✓ Firm's history,
    - ✓ Finances,
    - ✓ Key personnel, and
    - ✓ Subcontractors,

    so for convenience you can save the **input data on your word processor** and keep it updated.

AIA® Document B305™ – 1993

Architect's Qualification Statement

DATE:
SUBMITTED TO:
ADDRESS:
NAME OF PROJECT *(If Applicable)*: Orig - B305-1993 Architect Qualification Statement (replaces B431-1993)

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

1 BASIC INFORMATION

§ 1.1 Architect: *(Firm Name and Legal Status)*

§ 1.2 Business Address:

§ 1.3 Telephone Number:

§ 1.4 Person to Contact:

§ 1.5 Type of Organization: *(Check one)*

[ ] Individual or Sole Proprietorship
[ ] Professional Corporation/Association
[ ] Corporation
[ ] Partnership
[ ] Joint Venture*
[ ] Other*
*If Joint Venture or Other, give details.

2 GENERAL STATEMENT OF QUALIFICATIONS

3 GENERAL INFORMATION

(This information may be provided via the Architect's brochure which may be attached and listed in Article 8.)

§ 3.1 Names of Principals:

§ 3.2 Professional History:

§ 3.3 Registration Status:

§ 3.4 Professional Affiliations:

§ 3.5 Key Personnel:

§ 3.6 Total Number of Staff:

§ 3.7 Number of Registered Architects:

§ 3.8 Honors and Awards:

§ 3.9 Professional and Civic Involvement:

4 RELATED PROFESSIONAL SERVICES
(List proposed consultants, if applicable.)

§ 4.1 Structural:

§ 4.2 Mechanical:

§ 4.3 Electrical:

§ 4.4 Interior Design:

§ 4.5 Others:

5 PROJECTS
(Projects for which personnel of this firm had responsible charge while associated with other firms are indicated by an asterisk.)

§ 5.1 The following projects are representative of the Architect's recent work. A brief description of each project is attached.

§ 5.2 Other representative projects with dates of completion:

6 REFERENCES

7 STATEMENT OF POTENTIAL CONFLICTS OF INTEREST

8 ADDITIONAL INFORMATION
(If attachments are provided, list them here.)

ARCHITECT:

By:

I hereby certify that, as of the above date, the information provided in this Architect's Qualification Statement is true and sufficiently complete so as not to be misleading.

(Signature)

(Printed name and title)

ARCHITECT:

PROJECT:

Size:

Cost:

Owner:

Owner Contact:

Completion Date:

Contractor/Construction Manager:

Brief Description:

Certification of Document's Authenticity

AIA® Document D401™ – 2003

I, , hereby certify, to the best of my knowledge, information and belief, that I created the attached final document simultaneously with this certification at 11:04:11 on 08/09/2010 under Order No. 5474930795_1 from AIA Contract Documents software and that in preparing the attached final document I made no changes to the original text of AIA® Document B305™ – 1993, Architect's Qualification Statement, as published by the AIA in its software, other than changes shown in the attached final document by underscoring added text and striking over deleted text.

____

(Signed)

____

(Title)

____

(Dated)

Business cards

- Present just the **facts**.
- **Avoid** odd-sized cards, fancy typeface, and cards with a blank line for a name.
- And why not give **every employee his own business card** with his name printed on it?
  - They are inexpensive, signify professionalism, and show that you value the employee.

Business cards

Jobsite sign

- Place a **company sign** on your **jobsites if allowed**.
- It takes **only one job generated** by such a sign to cover the **cost of all the signs** you will ever place on jobsites in your entire career.
- You can have your name, phone number and colors printed on Tyvec® or similar weatherproof fabric and mount it on plywood.
- Be sure the sign is framed, installed plumb and level, and presents a professional appearance.
- **Careless installation** may be seen as an indication of the quality of your work.

Logo

- A **logo becomes associated** with your name and colors, especially if you use **jobsite signs.**

- **Do without a logo** <u>until</u> you can afford to have one created.

- Avoid logos that may be **used by others**.

Prepared employees

- In small firms, the owner of the construction company usually heads up the sales and marketing effort but **every employee is a sales and marketing representative.**

- Each should be armed with a **stash of the firm's promotional materials** and be prepared to tell **the company story in a few words** whenever the opportunity arises.

Prepared employees

Preparing your marketing materials

- In preparing your marketing materials, remember that your prospective customer’s **focus is on his own needs**—what you can do for him.
- If you **specialize** in the kind of work he needs, make that clear in your brochure and letter of introduction.
- Edit your materials to **limit** history and detail about your company to what the customer wants to know in an initial contact.
  - It’s **okay to have a lot of white space** on the brochure, even an entire panel.
  - You may feel that **you’re providing him less information** than you’d like to, but the opportunity for that will come later.

Preparing your marketing materials

- The grammar, spelling, and punctuation in your marketing materials **must be correct**.
  - A **prospective customer** who **has nothing other than** your <u>Website or introductory letter</u> by which to judge your company

    may view a misspelled word as **a lack of attention** to detail and

    wonder whether that might carry over into your work performance.

Preparing your marketing materials

- Send a complete marketing package and introductory letter **immediately after** you make a new contact— while your **conversation is still fresh** on his mind.

- Use **customer relationship software** to log your contacts and their data, and **file a copy** of all correspondence.

Publicity

Publicity

- **Mass media advertising** makes no sense for contractors, but you often can **get free publicity** in the local media with press releases that you or a publicity **writer prepares and submits** to them.
  - **Not only** is this sometimes published at **no cost,** **marketing people** say it is remembered longer and is more effective than conventional advertising, **partly because an article** in the newspaper has **more credibility** than a paid outright ad.
- **Learn which publications** your target customers are most likely to read, and **try to get a favorable article** about your firm placed in one of them from time to time.

Proposals and Presentations

Proposals and presentations

- **Busy owners** see unsolicited proposals as **junk mail**,
  so **zero in on a few promising prospects** in your target market and
  do some **research before sending** out your marketing materials.

Proposals and presentations

- For each one, get the answers to a few critical questions:
  - Does the owner bid all of his work, or negotiate some of it?
  - With whom?
  - How many projects does this owner build per year?
  - What is his area of operation?
  - What is his financial situation?
  - What is his track record with general contractors?
  - Who is the decision maker for the projects in your area?

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Proposals and presentations

- **Being knowledgeable about his company** tells the owner you're **diligent enough** to have done some homework, and your **chances of getting his attention** go up.
- Concentrate on his needs—he does **not care that your grandfather founded** your company with ten dollars in his pocket back in 1946.
- **Follow up with an email** to address any questions or concerns he mentioned.
- **Remember** that price, your expertise in his field, construction quality, schedule, reliability, and effective relationships are likely to be **his top priorities**, even if unspoken.
- And **nothing changes** in the case of a **corporate owner.**
  - You will still be dealing with an individual like yourself.

Staying Ahead of the Pack

Staying ahead of the pack

- As mentioned earlier, **invest time in reading**.

- General newspapers and magazines, business-oriented journals, trade publications, and newsletters specific to your construction interests

  are essential resources for effective business management.

Staying ahead of the pack

- **Businesses often announce** their plans to enter a certain market **many months or even further in advance**,

  providing you the opportunity to **contact them** and

  maybe get involved at an **early stage**—

  before your less-informed competitors know anything about them.

Staying ahead of the pack

- **Public companies** often **publish** their development plans in their annual reports to **shareholders**.
- You can **use these to check out** one of **your customer's or prospective customer's plans** well in advance.

Impressions

Impressions

- The **way you and your employees** dress, speak, answer the phone, and put your thoughts in writing

  are **just a few of the things** that form the **impressions** you make on others.

- Most people feel better about themselves and their employer

  when the employer requires certain high standards as a condition of employment and enforces them evenly.

Impressions

- Many times, your **front-office receptionist** is a prospective customer's initial contact with anyone in your firm, either by phone or in person.

- Your receptionist should be prepared to **make a good first impression**—which often **sticks in the mind** regardless of what follows.
  - For example, **screening incoming phone calls** can be offensive to the caller if **not done right.**

Impressions

- **Your front-office people** who may come into contact with visitors should
  - Make appropriate appearance,
  - Know the correct spelling and pronunciation of the name of everyone in the firm,
  - Have at least basic knowledge of your company, and
  - Handle themselves in an appropriately personable manner.

- The **appearance of the reception area** and any part of the office that visitors may see should **present your company** in the way you **want it to be perceived.**

New Customers vs. Old

New customers vs. old

- I've seen contractors **go all out to attract new customers** and at the same time treat their **current customers with indifference**.

- It is **easy enough to imagine** that it costs a business much more time and money to win a new customer than to retain an existing one.

New customers vs. old

- Keep a list of **targeted prospects** on your desk and **spend some time with it every day**—
  - Calling a couple of them,
  - Writing notes,
  - Sending a clipping they may find useful from a newspaper or trade publication,
  - Giving them important updates on your organization,
  - Etc.
    - ✓ Keep a log of your interaction.
    - ✓ If you have a newsletter put your customers and new prospects on the list.
    - ✓ However, avoid being overly solicitous or bothersome to any customer or prospect.

Reaching Out

Reaching out

- As an **active member** of your community,

  you can become more **widely known** and your name may **show up in newspapers and business publications** now and then.

- **Sponsoring** and participating in **charity events** such as golf tournaments will repay you many times over in terms of

  goodwill, referrals, and even direct business, not to mention the benefit to others.

The Attitude of Successful Contracting: No Windfalls Are Left

The attitude of successful contracting: no windfalls are left

- A time or two ago,

  material prices were stable, people wanted to work, the economy was steady, and legal/political issues were a minor concern.
- We all have worked as laborers in the field.
- Loud music playing on the radio, our shirts off, and after-work time was ours.
- What happened?
  - In the decades since, we have moved up in our responsibilities, thus we’re having less fun.

Changes in the last three decades

- Let's look at the changes that have occurred in the last **last 30 years or so**.
- These points are compiled from **several groups of contractors** at **different times**.
- They were asked **what has changed in the last three decades**.

Changes in the last three decades

- **Rising Age of Workforce**
  - The average age of **foremen** has risen to the **upper 40s.**
    - ✓ No one is replacing them.
  - As a witness to that fact, the average age of a construction apprentice **rose to the upper 20s.**
    - ✓ Less people want to be in our industry.
    - ✓ The young people are seeking other careers first, and then, working in construction.
    - ✓ The replacements are not coming.
    - ✓ This has made the average age of field managers rise.

موسسه مهندسی و مدیریت ساخت علوی پور (ACEMI)

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