



# THE STREET-SMART CONTRACTOR

Escape the Long, Hard Hours and Build a Construction Business That Gives You the Financial Freedom and Freedom of Lifestyle You Want and Deserve.

Tired of working long, hard hours for little money? Discover how to build a profitable construction business that goes to work for you, instead of you going to work for the business!



**HENRY GOUDREAU, C.S.L.**

"AMERICA'S #1 BUSINESS COACH FOR CONTRACTORS"

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Henry Goudreau, C.S.L.

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# FOREWORD

As a young boy, I admired my Dad as he worked in his construction business. I dreamed that someday I'd own my own business, being a contractor, just like my Dad.

In high school, I knew what I wanted to do. It consisted of three items:

1. Own my own successful construction business
2. Make lots of money
3. Retire at 35 years of age

Little did I know, life has its own plans.

First, I had to deal with the local draft office and the Vietnam war. I was attending Engineering school when I got my notice to show up for my physical. My college deferment was revoked. I immediately joined to try and get something out of the journey.

So, I went to my Dad, told him I joined and that I wasn't going to finish the semester. Instead, I would get myself ready.

I was supposed to report for basic training on January 3<sup>rd</sup>. On the 27<sup>th</sup> of December, I received my notice that I was medically deferred. Again, life has its own plans.

I was so screwed. I couldn't go back to school since I didn't finish the semester, so I went back to night school at my own expense. From there, things again took a change.

As I was wrapping up engineering school, I decided to take a job for the State of Massachusetts, Department of Public Works. By now, I was married with a child. However, life has its own plans.

My reasoning was simple. If I was going to be a contractor, I better learn how the jobs are put together and bid. For a couple of years that is what I did. Sitting behind a drafting table designing and drafting the plans, writing the specifications, and getting the projects ready to bid. It was an informative experience, but like college it didn't teach me anything about how to build and run a construction business.

I left my design career and went out to the construction world. From there I quickly accelerated things by working my butt off and making things happen. I was working the 2<sup>nd</sup> and 3<sup>rd</sup> shifts at a nuclear power plant as Area Engineer when the offer came to me to go to Saudi Arabia to

work for an American-Saudi construction firm. Something was finally happening to help me get to my dream.

After I came back from the middle east, I started my construction business. I was so excited. Finally, I get to live my dream!

Again, life has its own plans. I couldn't get a job. Everyone I approached thought I was too young. Go do some work and come back. Darn it, how was I supposed to do that if no one would give me a job?

I also was working with a gentleman of a surety company. He was Senior Regional Vice-President and took a liking to me. Unfortunately, he said the same thing. Go do some work and prove to me you can do it and I'll give you some surety. Yikes! Was this all anyone thought of?

After six-months I brought my updated financials in to him. He looked them over and raised his head to look at me and said; "Henry, you're bankrupt." You see, I had a family and they needed to be taken care of. Without work, it was slowly draining the equity out of my business. Something had to happen soon, or I was heading back to the middle-east.

I was so depressed leaving his office. I felt as though my dreams were going up in smoke right in front of my eyes. But, life has its own plans. As I was driving home I passed a business that looked like a potential client, so I figured I got nothing else to lose and decided to drop in.

That visit landed me my first job! It was an office remodel that lead to another job, much bigger and more complex. It's amazing how things work out. I was at a crossroad. Either I quit and go back to the middle-east, or I persevere and try to make something happen. I chose to try and make something happen.

As I was completing the second job, I was approached by a large contractor who was watching my job progress. He approached me and told me he was very much impressed. Would I like to bid a job for him?

The job was my first big job. The two I completed had made money but now I was taking on a \$411,000 job in a major international airport. I provided the labor and equipment and he purchased the materials.

This was a very tight scheduled job with huge penalties if it was completed on-time. I was certain I could do the job, especially with the construction method I had devised. I was right, and finished two weeks ahead of the schedule. On top of that, that job made me \$180,000 in profit.

My surety friend was quite impressed, and I got the bonding I needed. The journey was about to begin. Let's jump a couple years later because it is then that I realized something very important.

Like most contractors, I was wearing many hats. I did my books, did the estimating, got payroll done every week, was on the job every day, and drove all my tools and small equipment back home every night. I was a contractor who created a job for himself. A time consuming, low paying job with long, hard hours.

As always, I would stop at a gas station on my way home to fill up the small equipment and fuel cans. As I stood at the truck pumping gas, I had a deep profound thought. "Why am I doing this? I'm missing something here?" You see, I suddenly realized that I was in the trap. The trap where you work long, hard hours, wear too many hats, and must do everything yourself.

Again, I found myself at a cross road. Either I let my ego get in my way and keep me trapped, or I figure out what really makes a construction business work.

I decided to do something. I would find out what makes a construction business work. After all, it can't be just me. I'm only one person. There is something and I was determined to find out.

Again, I decided to take the right path. It wasn't long after that that I met a gentleman who had a PhD in business. As we talked I expressed my desire to figure out what makes a construction business work. He loved the idea and offered to help me. It was an amazing journey.

Believe it or not, it is not you, it is a machine, a great watch that has many gears and springs. All which need to be finely tuned, and synced together to work perfectly.

Which brings me to this report. You're going to enjoy it, find it informative, but most important of all, I hope it makes you re-think your business.

I wish someone 45 years ago had handed me this report. Something to open my eyes to what I was doing sooner. Think of how much I could have shortened the learning curve. It's like finding the secret formula to a powerful business enhancing serum. Something that many contractors dream of but have no clue it exists or how to use it.

My clients, those that I have helped master and implement this knowledge in their businesses have prospered tremendously and are enjoying a life of financial freedom and freedom of lifestyle. Even in the last decade of a slow economy, they did much better than the average contractor.

But it is up to you. If you understand the logic behind the business-building principles, then you must be ready to take the next step in mastering and applying the proven concrete strategies into your business.

How does it benefit you? Imagine a multi-million-dollar profitable business that works for you. How much better off would you be?

# INTRODUCTION

Do you own a business or does your business own you?

Let's be realistic, it must be one or the other? If you couldn't take a two-month or even a two-week vacation without worrying about your business being there when you get back, you are owned by your business.

This is probably the most common thing contractors do. They create a job for themselves. Let's look at the facts.

According to the U.S. Census Bureau, 88.6 percent of U.S.-based businesses still require the owner to be there as the primary person responsible for core functions like producing the product or service, managing the day-to-day operations, and managing the financial aspects of the business.

And according to the Wells Fargo/Gallup Small Business Index, the average small business owner works 52 hours a week, 57 percent of them work six days a week, and more than 20 percent work *seven* days a week.

I know from my own studies; the average contractor works 100+ hours per week. From the time they get up, to the time they go to bed and fall asleep, they're business is consuming their life. Their mind is constantly thinking or worrying about their business.

Let me ask you this. If the business you built from the ground up has become more of a chore, where you must show up every day because you need that next paycheck for you and your family, but the frustrations and their weight on your shoulders is so heavy, combined with the long, hard hours which have taken away from you the things you value most like your family, you need this business-building knowledge.

What about yourself? Do you crave your own personal freedom? Time to do what you love to do, independent from being tied to the business every day. If that is you, you need this business-building knowledge.

If you are looking for a battle-tested proven business model, especially made for contractors, which will strengthen its independence from you, you need this business-building knowledge.

If you have finally reached that level of courage where you can look at the facts and put the ego aside that you realized you built yourself a job, not a successful, thriving business that works for



you, and you are ready to build that business that gives you the financial freedom and freedom of lifestyle you desire, then you need this business-building knowledge.

If you feel trapped in your own business. If you are sick and tired of not having enough hours in a day to get things done, you need this business-building knowledge.

If you feel pulled in many directions with too many conflicting demands, you need this business-building information.

And most of all, if you overwhelmed with too much to do, not sure where to start or what to do, with no clear plan or strategy, you need this business-building information.

I understand what you're going through. I too was a contractor. I started with nothing but a pickup truck and a business card. But here is the big difference. This business model worked for me, and has worked for many others who have had the courage to dive in, master it, and implement it into their business.

### **Take the example of Client A.**

Client A is a general contractor who was doing approximately \$4, million in sales and they were in a negative liquidity position.

They came to me approximately three-years ago and joined the Golden Hard Hat Mentoring program. Dissatisfied with their performance they wanted the help to get their business on the right track and performance levels.

After joining the program, we rolled up our sleeves to identify the deficient areas of the business, and started the correction process.

One deficient area was in their financials. It was messy. Nothing made sense. We immediately acted to correct this, including the dismissal of their present CPA.

We studied where the business was now, at that time, and where they wanted to take it utilizing the program information in Volume Two and plotting the course best suited for the business and set sail.

We corrected the financial reporting system with changes and regular review. We implemented the weekly financial snapshot, cash flow, and invoicing system that is in Volume Three. We analyzed the companies Time Distribution and balanced its output.

We also jumped into the organizational structure and brought order quickly. Yes, some people were let go, but we developed standard operating procedures, implemented training, and got the staff moving in the right direction, as outlined in Volume Four of the program.

We implemented the Employee Incentive Plan that is in the program, in Volume Three. Introduced it to the staff and enthusiasm jumped to the ceiling. Performance levels, getting the jobs done on budget, and on-time completion became the acting norm.

Immediately, existing customers started writing, saying how much they enjoyed working with the company. Rave reviews, repeat business, and referrals started taking hold.

We focused on what work we were doing and what customers and work were best for the company and focused our energy on those performance centers.

Today, that business is doing over \$15 million with double digit net profits, positive cash flow in the six-figures every week, and the future looks bright.

### *From Structure Comes Success!*

In your life journey, you will always find yourself at a fork in your path. You can either go to your excuses or you can go to your dreams. Life is a decision-making process. Which will you choose? Most people choose the excuses, it's easier for them, so they think. The truth is, it's a waste of time in their life which can't be made up. Time lost that they could have been using to reach their dreams.

## Chapter One – Trading Time for Money

If I offered you a job, a job that requires you to work long, hard hours, with little pay and sometimes no pay, where you would have employees who are making more than you, a job that would take you away from your children and maybe even deprive them of the things you want them to have, would you take it?

I understand that this is being very direct, but I've worked or talked with hundreds of contractors who fit that mold. They're trapped in their own business!

Let me ask you this. You own your own business but what would happen to it, if you didn't show up at the office tomorrow? Would your business be in panic mode? Would it continue to thrive on its own? Or, will it shrivel up and die? What if you took a week, month, or a quarter off? Where would your business be?

As I said earlier, the facts weigh heavily against the average business owner. Again, according to the U.S. Census Bureau, 88.6 percent of U.S.-based businesses still require the owner to be there as the primary person responsible for core functions like producing the product or service, managing the day-to-day operations, and managing the financial aspects of the business.

And according to the Wells Fargo/Gallup Small Business Index, the average small business owner works 52 hours a week, 57 percent of them work six days a week, and more than 20 percent work *seven* days a week.

You see, according to the facts, the odds are stacked against you.

I guess the appropriate question is how does this start?

When you first start a job, you need sales. You need a job. And you will do anything to get it. Even doing it too cheap.

Let me tell you about the contractor from the Northeast.

### **The Northeast Contractor**

He came to me with a huge problem. He was in debt, couldn't pay his bills, owed Uncle Sam and was behind in his mortgage. Can I save him, he asked?

I told him to send me his financial reports. Oops! He said, I don't have any, I do everything from my checkbook balance.

Now, this is all wrong. Checkbook Managers are always getting themselves into trouble. You see, the check book balance only tells you what you have left over from the checks you've written. It can't and doesn't tell you if you're making money, let alone what you still must pay.

So, I took the next step. How do you bid the work and arrive at your selling price?

Easy, he said, I add my hours, my payroll, I mark it up 15% and add the materials and equipment to it.

If you understand this process, this is trading time for money, and you always lose playing this game. I immediately told him to do two things. Increase the markup and apply it to everything he pays out for to complete the work. He asked how much he should mark it up. Based on the information he told me, my guesstimate was 60% Why did I guess? Because he couldn't provide the financial information I needed.

Now, he thought he would never get a job, but he did. As a matter of fact, he continued to get jobs and was able to clean up his financial mess considerably.

### *From Structure Comes Success!*

In the beginning of a business certain elements are working to your advantage. You have ...

Low overhead

You're willing to do a lot of the work

You start thinking about making a paycheck. And because you don't realize the big picture, you make bad decisions. Maybe its desperation or maybe it is the lack of knowing. But a great number of small contractors or tradespersons fall into this trap.

I had another contractor come to do some work in my house. When he finished, he handed me his bill. He had calculated the number of hours he worked, and charged me \$35 per hour. He handed me the invoices on what he spent and told me no markup on them. I asked him if he has ever taken his car to a mechanic? He said yes. I said to him, have you ever noticed the sign behind the desk that states how much will be charged per hour for every hour they work on your car. He said yes. I said how much, do you remember? He said yes, \$75 per hour.

I directed his attention to the \$35 per hour he was charging me. Did he think the mechanic was worth more than him? He said no, but they have the overhead and all. Don't you, I asked? I do but I really need the money, things have been slow.

Working for a paycheck is a bad way of doing business. You will always lose the game. But what are the phases we go through?

### **PHASE ONE – WORKING FOR A PAYCHECK**

In this phase, you are worried about getting the job and paying your bills, so you take the work cheap and walk away with a paycheck and not enough money to pay your bills or get you by to the next job. It is always feast or famine.

Contractors also do a similar thing by not managing their financials, knowing their true costs, or charging the right markup. In other words, through ignorance they undercharge and can't make enough money to maintain their day-to-day business activities, hence, working for a paycheck.

#### **Let me tell you the story about the excavating contractor.**

Both he and his wife attended one of my seminars. After the seminar, they told how impressed they were with the information I presented, and could I help them? I offered to sit down with them and look over their problem since I knew they had their financial information with them.

As I looked over their financials, I immediately noticed a problem with their cost of sales (or cost of goods sold). There was something wrong with field labor. I asked them how they price field labor out. Easy the contractor said, I have seven crews and I charge \$700 per day per crew.

My next drill down question revealed the problem. I simply asked, where did you get the \$700 figure from? He answered that a few years back he had an estimator who used that figure and he continued to use it himself. I asked the wife if she could do a breakdown of each person in each crew, adding the company burden for taxes, insurance and benefits to come up with the crew's true cost? She said yes and spent the rest of the afternoon tabulating the figures.

Later that day we met, and she revealed what she had calculated. The true cost of each crew was \$900 per day. Now, that may not seem like much, but remember, he had seven crews. That meant, he was losing \$1,400 per day, \$7,000 per week, \$28,000 per month, \$336,000 per year. That's a chunk of change thrown away or left on the table!

#### **WHY DOES THIS HAPPEN?**

One may ask themselves why this happens? The answer is simple. Most contractors have great construction skills. They have spent countless hours and dollars sharpening those skills. They attend certification classes, get their contractor's licenses, and master these construction skills over time.

Unfortunately, far less time is expended on mastering their business skills, plus the fact that not too many educators or coaches understand what drives a construction business. If a contractor seeks out this information, they are exposed to the outer surface of business skills, such as, profit and loss statements, balance sheets, ratios, etc. The common knowledge. What is missing is the 'specialized knowledge.'

Early on in my own construction business and with an education in business and civil engineering, I too try to use the common indicators. They worked, to an extent, but didn't reveal the inner workings or provided me with the 'specialized knowledge.'

Back then, the internet wasn't even in existence. To find or seek out the answers to my questions, what makes this work, was a fruitless effort. No one had the answer. But, like I said earlier, I found someone who was willing to find out with me. This morphed into a special group of other contractors who shared the same question I did and wanting to find out the answer. This became a very powerful business roundtable and the model it produced became a powerhouse. It is that business model that I used for myself, creating a multi-million net wealth, and a highly-recognized business that I sold in my early 40's.

One of the 'things' I realized was that most contractors want to insert control over their businesses but ironically end up with a business that inserts its control over them. Resulting in long, hard hours, little money and a lack of freedom. Again, they didn't create a business, they create a job for themselves. Even if they are lucky enough, they can only grow their business and income to a certain level, and then be push backed being forced to start the process again. I hear it all the time, contractors will tell me; *"I can seem to get beyond this threshold."*

So, their success comes with a hefty price tag – the loss of the deeper sense of control, money, and freedom they would have experienced and enjoy ***if only they had created a business, not a job!***

I have discovered three levels that every successful business owner goes through. Most never get through the first level, some give up in the second level, and less than 1% follow through to the third level. If you ever wanted to be part of the 1 percenters, you must get your business to level three.

## **Level One: Trading Time for Money – Result: No Control, No Freedom**

This is where everyone starts. You started your business and the first thing you need is a job.

At this point in ownership, you have your own time and you're willing to put in the long, hard hours. Overhead is usually low, but your focus is on getting a job. This is the first stage of the trading time for money syndrome. Just get a job. That is what is driving you.

Now the problem with this is that not all jobs are good for you. The chances of picking the wrong one can have setbacks and misery. This is another major mistake contractors make, taking on the wrong type of work. Ask yourself. Have you ever had the job or client from hell?

However, because it is your time, and overhead is low, you get a job and think you did good. That leads to duplicating the process. Duplication leads to habit and now the fever is rising.

You started your business because you wanted to have the financial freedom and freedom of lifestyle. The problem is, these are the first things you put on the chopping block. Why? Because you lack planning, direction, and understanding.

It is NOT uncommon to find out that most contractors starting their businesses fail to have a strategic business plan. Those that do, have a poorly thought out plan, usually a generic plan that can't work for them.

The result? Hard, long hours, cash shortfalls, poorly planned growth, bad decisions, fear, anxiety, and the loss of the purpose for starting the business in the first place.

Instead they scramble, scramble to get a job, scramble to pay their employees, scramble to pay their bills, scramble to get paid, scramble to make ends meet, scramble to make their business idea into a tangible, practical, cash-flowing machine.

This is the trading time for money business.

## **Level Two: The Learning Process – Result: Some Control, No Freedom**

Somewhere along the line, some business owners start questioning what they are doing. This could be from their own frustrations or from the 'linking' of their situation to something they read, heard, or was told. As I hear from contractors who reach out to me, most have a problem with their wearing so many hats, or unable to move their business to the next level.

However, there are two parts to this level. The beginning stage is this.

You may or may not have a profitable business, but your constant presence each day to keep it working is exacting its toll. Here are some of the tell-tale signs:

- You make all the decisions
- You generate most if not all the sales
- You do the networking and meeting with potential clients
- You make sure the work is getting done
- You buy out all the materials for the work
- You do the estimating or final pricing
- You make sure the money is collected
- You decide who gets paid

You make all the decisions. Your business revolves around you. Take you out of the picture, and you have a total breakdown and financial disaster on your hands.

Sure, you have people 'helping you' but that is all they are doing ... helping. They are not or will not make decisions or take ownership of central parts of your business.

You have the control, some, but with that control come long, hard hours and the full responsibility of making all the decisions., of all the risk, and all the responsibility like an 800-lb guerilla on your shoulders. You can't stop, you might not even be able to enjoy a vacation, because if you do, it all ends. You have some control but no freedom.

If you're lucky, you'll move into the second stage of this level.

At this point, the savvy contractor will stop and question what he is doing. He'll seek answers, maybe even some help. When he does, he moves into the learning process. About half of contractors will take this step. They might start reading books, they might attend seminars, they might even join a construction organization with hopes of learning. But all of that doesn't give you the specialized knowledge you need to turn on the economic engines in your business.

Out of half of these contractors, approximately 8% will reach out to a specialist for help. The majority may talk with their attorney, accountant, or a friend that they respect or value. Again, they will get some general knowledge, but not the specialized knowledge.

Some may even reach out to a business coach. I've had contractors come to me after working with a business coach. Yes, they got some good advice, but not the advice they needed to improve their construction business. Let me tell you about one of those contractors.



This contractor had inherited a family business that was established. They did a few million a year with a 2 to 3% net profit margin. Nothing great, about average for all contractors. They had invested in a business coach before, and he had them in a good financial position. The trouble was, this business coach didn't understand the metrics that drive a construction business. The result was that this business floated along, missing opportunities, growth, or direction, making ho-hum margins year in and year out.

Once they started working with me, I could show them how their metrics worked, what they should be doing, and what they were missing. We changed focus, optimized their metrics, and totally changed their niche. The result was a doubling in sales and a 300% increase in net profits.

If you're in the beginning of this stage and you haven't made the attempt to learn or master your business skills, you have what I call a "Me Business." You have some control but no freedom.

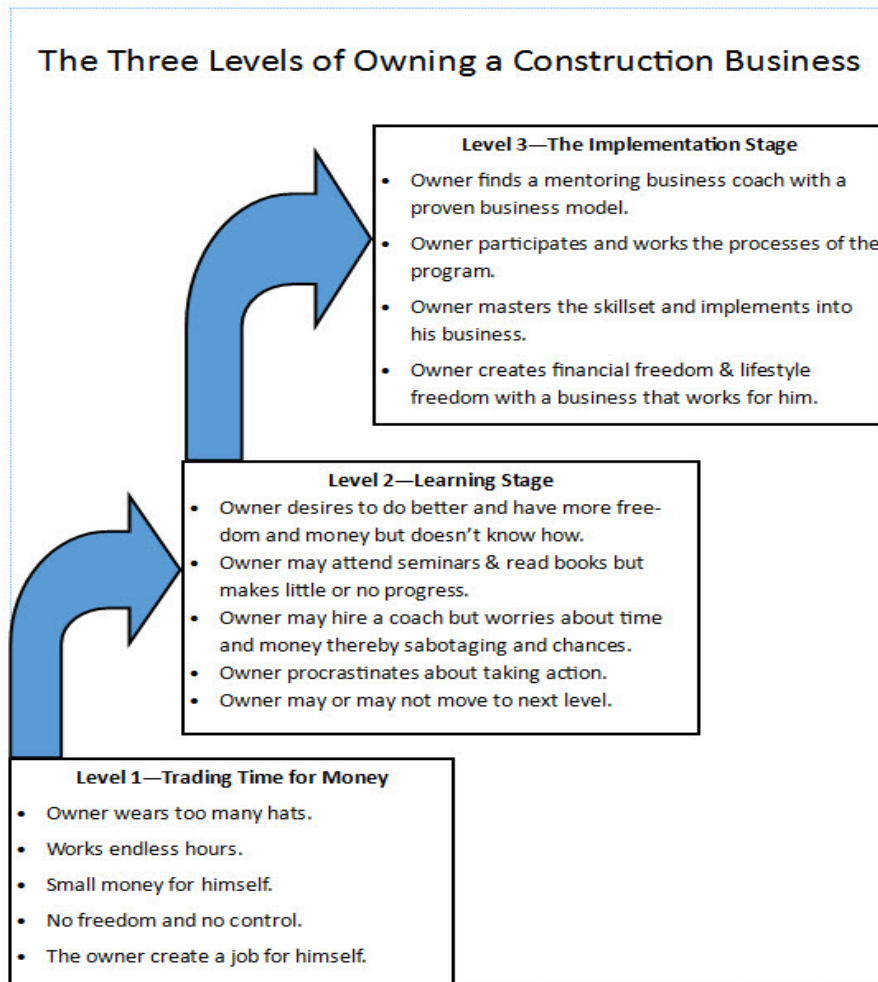
### **Level Three: The Implementation Stage – Result: Full Control, Complete Freedom**

Imagine, you're the owner of a construction business that runs itself without your day-to-day presence and efforts every day.

You've got all the main components in place. It works independent of you. How much you work for your business is your personal choice, not a necessity. At this point, you can scale the company, use the same business model to own other companies, sell it, or transition to own it passively. Your choice.

Understand that less than 1% of construction owners EVER achieve this level. This is what you want to achieve. It's the only way to not only achieve your dreams of financial freedom and freedom of lifestyle, but to exceed them.

It won't happen overnight. It will require a commitment of you and money, but the results that can be achieved are entirely up to you.



**Let me tell you about a gentleman who came to me over 20 years ago.**

This contractor was from the state of Texas. He invited me to lunch after attending my seminar. He was older than I and wearing all the hats for his construction company. He was generating \$30 million in sales, never married because he worked so hard in his business, and wanted to know if I could help him grow the business.

Within two years, we grew the business to \$75 million and I could see it was straining his capabilities. We had a talk, and I convinced him to consider hiring a professional manager. Since he was getting along in years, he would become the Chairman of the Board of Directors. Of course, all of this had to be set up, so we got started. I trained all the professionals we hired, from the President down to my business model. Then we set them to work.

Within three years, sales soared to \$175 million with a healthy net profit. My client was along in years and one day he called me. *“Henry, I want you to come down. I’ll pick up the expenses, I just want to talk to you.”* I agreed.

My first night we went to his favorite restaurant that so happened to be in his country club. He had gotten married, and bought himself a ranch. As he told me about how his life had changed, and how much he was enjoying it, you couldn’t help but feel joy. He thanked me and told me this never wouldn’t have happened if it wasn’t for me. He had reached the pinnacle of his dreams. And best of all, he wasn’t bored going into the office one or two days a week!

So, there is hope. Things can change. It doesn’t have to be the way it is now. It can get better. It is entirely up to you however. Building a level three business takes time. There is no magic button. It isn’t a switch you turn on, but rather a spectrum that you slowly progress through over the course of several years. You will have set backs, you’ll learn from your mistakes, but you can move things along if you have the proven business plan and skills.

The critical shift is seeing the difference between building a job or building a business. You must see yourself as the *builder* of a business that will work for you. You are its slave until you can build the business depth that can replace you.

## The 7 Major Benefits of Taking Your Business to Level Three

- 1. You get control over your future.** Instead of living day-to-day, you’ll gain complete control over your financial future for you and your family. But here is the best part, if something should happen to you, your key employees will have the knowledge and training to keep the business afloat.
- 2. You’ll increase your net worth.** Not only will your business be worth more, approximately 10 times more than a level two business, but you’ll increase your personal wealth now and later when you decide to exit your business. Larger revenues mean you will command a larger multiplier and your business will be a better target for the right buyer. It has been shown that a level three business will grow in value *one hundred-fold or more* than the lower level businesses.
- 3. You’ll be able to leverage your knowledge.** Now that you have mastered the skills of building a business that goes to work for you, you can use that exact same knowledge to build other businesses to do the same, thereby increasing income flows to you.
- 4. You’ll earn freedom from your business.** Since you are no longer creating a job for yourself, you’ll have a greater sense of freedom for yourself once your organization is in

place and functioning as it should. This means more freedom for you to do the things that ignite the passion inside you.

5. **Your key staff will experience more stability and security.** Since your business isn't revolving around you and your key people have taken on the responsibility of running it, they will feel more like managers and less like servants as they take on an expanded role and responsibilities.
6. **Your business will be dramatically more stable.** With control comes stability. You'll no longer be flying by the seat of your pants. Instead, you'll be analyzing, researching, and looking ahead. You'll also experience better success with the additional help and mind power from your key staff.
7. **Your business will become the key trend setter.** You'll be ahead of your competition as you create more value for your market with a better run and managed service provider.

**What is it you want from your business?** Take a moment now and reflect on what I've shared with you so far. What would it mean to you if you were to build a Level Three business? How much better off would you be? Is it worth your time and investment to do it? Only you can decide.

*From Structure Comes Success*

## Chapter Two– The Four Cornerstones

Like a foundation for a building, the foundation of your business is critical to its strength and stability.

The **cornerstone** (or **foundation stone**) concept is derived from the first stone set in the construction of a masonry foundation, important since all other stones will be set about this stone, thus determining the position of the entire structure.

In your business, this same concept holds true.

The four corner stones in your business are:

- **Goals & Visions**
- **Financial & Administration**
- **Marketing & Selling**
- **People and Productivity**

These four cornerstones are the key to building a successful construction business. From here, we can build the other elements to build a successful organization. Let's look at each one of them.

### Goals & Vision

Think of the vision as your initial picture you draw in your mind of where you want to take your business. You know from your 'vision' where you want to go but you can't see all the steps you need to take to get you there.

Vision is not about the path or route you will take to get to the vision, it's about the destination. As you take the steps, each step makes your path clearer, if you stay true to your vision.

Goals quantify your steps and define them. Think of them as the road markers, they tell you that you are moving in the right direction. They are measurable, trackable, quantifiable, and correctable.

**A vision is enduring and provides clarity for the next step. A goal.**

One way to distinguish between a vision and a goal is to ask, "What's next?" A vision provides clear ongoing direction—it is clear what you should do next. As you take each step, the next

one becomes clear. A vision continues to act as a beacon, guiding you in setting new goals once current ones have been achieved.

Once you have reached your goal, it is finished. Future direction is unclear because the goal was an end unto itself.

***The path is: Vision >>> Goals >>> Strategy >>> Mission >>> Action >>> Financial Targets***

A good business leader will develop a powerful vision which will ignite the desire of his key employees to develop the clear direction and performance requirements in goals to reach it.

### **Financial & Administration**

To build a successful business, we must have good financial performance records to help us make great business decisions. We call these records our business metrics.

These business metrics play a key role in business planning, evaluation, and control. Unfortunately, for many small business owners, their business metrics can be an intimidating concept they'd rather avoid instead of grasp.

Your business metrics are what drive your business. They will NOT be the same for all contractors. You can't think that if you find a benchmark of numbers that they will work for your business. The chance is too great that they won't.

Unfortunately, many business owners don't see the need to quantify various aspects of the company, and those who do are often scared away by the misperception that metrics require mathematical and analytical expertise.

But when properly applied, metrics can transform your company's internal processes. Strategic planning and decision-making become much easier when you can translate outcomes into real numbers. Even better, metrics give your team firm performance targets that can become a rallying point for the achievement of goals and objectives.

However, once you discover the importance of your business metrics and how they shape your business and decisions, you'll never decide without them.

The administrative part of the business is the collections, recordkeeping, archiving, and responding to the everyday internal or office operations in your business. Who answers your phone? Who responds to queries? Who inputs the information?

In business, this is often called your overhead. Overhead is a burden, it doesn't make you any money. It simply administers the operations of the business. Since it is a burden, the idea

behind overhead is to make sure it does its job at the least expense to the business. Therefore, it needs to be tracked, evaluated, and adjusted to perform its job at the lowest possible expense to the business.

## **Marketing & Selling**

First, no business can survive without Sales. As exciting as your vision or dream may be, it must be sellable.

Many contractors believe that everyone will buy their services. They can do anything. They are convinced that there is an unlimited amount of sales for their business. Unfortunately, that is false. Not everyone wants your services, and not everyone will buy from you.

However, with that said, there are people who will, and the job of marketing and selling is two-part:

1. Find and attract them
2. Sell them

So, marketing is creating a demand in the right customers mind so that they will seek you out. Sales on the other hand is chasing customers and getting them to give you a signed deal.

A lot of contractors think of their business as offering a product. A product is something that is typically manufactured in a factory and shipped to a store where it is purchased by a consumer.

Construction doesn't do that. We offer a service to take a set of conceptual drawings and turn them into a physical reality. And, we get paid when that physical reality is completed.

So, we really sell to the customer something that is in their mind. It is not a product that they can hold, sit in, it is not a product they can test drive, or use any of their senses to determine if they want it. It is a conceptual idea. Something they have developed in their mind.

The next part of this equation is emotion. This conceptual idea has fastened to it an emotion, something they want, need, desire, or a problem they have that they want solved. It is what is called their emotional buying trigger.

Now understand that there is no hard-core logic tied to this conceptual idea. It is emotion based. Therefore, even with a budget, a logic, if what they emotionally desire, want, need or if it is a problem they need solved, they will reasonable go over their budget to have it. This is something too many contractors miss. Allow me to clarify.

If a person's emotional needs are not filled, they will resort to logic. Price is a logic. If you don't satisfy their emotional buying trigger, they resort to determining that your price is higher or lower than the next guy. You are now being forced to compete in the low-price arena which is a no-win situation.

The truth is, you are marketing and selling them a satisfied emotional value response. You're selling them their expectations that allow them to make the decision to choose you over your competition regardless of price because logic in this case can't take presence over emotion.

Therefore, this concept needs to be dominant in your marketing and selling of your construction process.

With that in mind, our marketing and selling is now:

1. Positioning ourselves as the solution to the emotional needs of prospective customers
2. Selling to the prospective customer their emotional satisfaction

If you can master this one concept, you will find yourself dominating the Lion share of the high-end marketplace.

### **People and Productivity**

Contracting is a high labor-intensive industry. We use a lot of people and a lot of materials. We also use 'estimates' to determine the cost basis for the work. The problem with a lot of contractors is they no longer use 'stick build' estimating procedures. Instead, they use quantity base estimates, such as square foot, cubic yard, etc.

This is acceptable if you have a detailed breakdown of the various items that make up the work. If not, you are shooting from the hip.

One of the biggest jokes in the field with my steady employees to the newbies was; *"Don't drop any nails, Henry doesn't buy extra!"* Which was true. I did a complete take-off detailing every item as close as I could.

Also, during the estimate stage, one should outline a draft schedule. We did this in my business because we realized that relying on just the estimate gave us a one-dimension view. By developing the schedule, we could see areas that would benefit us or hurt us. We also won court cases because we could clearly show what we anticipated in developing our bid, and how the owner impacted it.



Another important item I see they fail to have is a POM (Project Operations Manual). This is a tool I help my mentoring clients implement into their own construction business. It is the POM that is where we take the estimate and turn it into a step-by-step process to build the project according to the estimate. This is what builds the project according to the estimate. Without it, you're asking other people to re-invent your estimate.

The final cog in the gear of this process is job costing.

If you are doing a detailed estimate, the one piece of information you want to know is your accuracy. This is where job costing comes into play.

Job costing is the results in the field that are tracked to a work item or task that corresponds to your estimate. That means, we must have a corresponding numbering system to track the items or tasks. This allows the field to input their time, the buyout to input the purchase price, the selection of subs to the estimated sub costs for each item of work or task.

A Job Cost numbering system allows the estimate to be turned into a budget for the job which correlates with job costing in an accounting system to the Chart of Accounts.

This allows the contractor to check his estimating and production results. The report most common is "Actual VS Budget" reports that show the field results to the estimate or budget. Discrepancies, either positive or negative to the budget are referred to as a "Variance."

One note that I have observed in 25 years of coaching contractors is that nearly every contractor has a common mistake that can't be found without a job cost system. Astute contractors regard this system as a key element in producing not only profits but accuracy in their estimating.

*From Structure Comes Success!*

# Chapter Three— Evaluating Your Business

## The Business Evaluation

Since the beginning, I have taken many contractors, thousands, through my Business Evaluation form. To build a successful construction business you must have knowledge of what is missing, or not working effectively. This is your starting point. Our business evaluation form can help you find the areas of your business that need your immediate attention.

This tool not only helps you to strategically dissect your business and identify its weaknesses, based on studying thousands of contracting firms over the last 24 years, will reveal the amount of money that you are leaking from your business because of the deficiencies revealed by the tool. This means that complete honesty must be used when answering the evaluation questions.

The rule of thumb I give my clients when we start the evaluation is simple. For you to put a ‘Yes’ answer the following criteria MUST be reached. All three of them, not just one or two, all three!

1. It must be a written system. Something real, not imaginary.
2. It must be something you use in your business on a regular basis.
3. It must be a tool, something you understand and use to help your business.

The process for answering the question is a simple yes or no. If you have all three conditions in place, you answer yes. Anything less is a no. The reasons for this is simple. If you have less, you have an area of your business that needs some help in some degree.

Once you’ve finished the evaluation, total your ‘Yes’ scores. Don’t worry about how many yes scores you have or don’t have. It isn’t important the number of, because what matters is what you don’t have. To improve your business, we must turn your ‘No’ into a ‘Yes!’

## What Business Do You Want?

Too many business owners get so caught up in the day-to-day running of their companies that they never step back and think through—on paper— precisely what kind of business they want. One of your key responsibilities as the leader of your business is to create a clear, concrete, and inspirational picture of the business you and your team are working to build.

What business do you want to build over the next three to five years? What does it look like? What's its gross revenue? Operating profit? Key margins? How many customers does it serve? What are the trends in these areas?

What about the qualitative picture of your business? Who are your team members and what are their qualities and roles? How do you measure the success of your business in the lives of your clients?

What do you anticipate your eventual exit strategy will be? What elements will you need to have in place to execute that exit strategy to greatest effect?

Taking time to clarify and describe the business you're working to build *up front* will save you mountains of time, energy, and frustration.

### BUSINESS EVALUATION

		YES	NO
1.	Do you have a written budget for your fiscal year?		
2.	Do you have a company brochure?		
3.	Do you calculate your markup based on our budget, your salary, and profit?		
4.	Do you prepare detailed in-house budgets?		
5.	Do you provide field supervisors with detailed production times?		
6.	Do you track field labor costs against estimated labor costs?		
7.	Do you project your cash flow?		
8.	Do you produce monthly P&L, Balance, Actual VS Budget, Cash Flow, Aging reports?		
9.	Do you know your breakeven volume?		
10.	Do you know your project turnover rate?		
11.	Do you calculate your backlog needs using your turnover rate?		
12.	Do you have weekly or monthly meetings with your staff?		
13.	Do you know your capture rate?		
14.	Do you know your average collection cycle?		
15.	Do you calculate your capital reserve amount?		
16.	Do you have a written business plan?		
17.	Do you know your maximum and minimum backlog pipeline amounts?		
18.	Do you know your average job size?		
19.	Do you feel you are getting the maximum return in financial reward and lifestyle?		
20.	Could your business function without your day-to-day presence?		
<b>NUMBER OF YES:</b>			

### Instructions:

1. Add up the number of no answers.
2. Multiply by 8500.
3. This is the amount of money you are leaving on the table yearly due to not having these systems in place.

Are you happy with your results, or do you think you should be doing better with your business? This is a question only you can answer and act upon. If the number is a lot, how much time and money are you willing to utilize to correct your situation and put that money in your pocket?

To fix your business and get it running correctly, you need to come to terms with what is not working. The Evaluation is telling you the business systems that are not working in your construction business. The next step is to align them to your capabilities and capacities and determinators (I'll explain what these are shortly) to make them work properly. This is the key to success. You can't just throw a system in and think it is helping you. It must be built contingent on your capabilities, capacities and determinators.

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## Chapter Four – What Makes It Work.

### Capabilities and Capacities

A lot of small business owners erroneously believe their business is them. It only works because of them. That is only partially true.

What makes a business work is many elements that mesh together. Not just one thing, a number of these things.

One of the major elements is capabilities and capacities. These can either limit you or empower you. For most small business owners, they limit them, especially if the owner's ego can't be held in check.

Your capabilities and capacities are:

- Time
- Money
- Experience
- Knowledge
- People
- Equipment

All of them, except for one, can be improved. If you need more money you can find a way to get it. The same goes for all except time. You CAN'T GET MORE TIME. You can only use what time you have to your advantage.

Let's talk about time. Since you are limited by it and you have it, it can be measured, quantified, and analyzed. It also 'determines' what you can and cannot do with your business. Therefore, I refer to it as a "determinator."

Let me show you a simple explanation.

Say you have a small construction business, you're doing \$500,000 a year and you have the dream to do \$1 million. Now, a lot of other determinators come into play in this scenario, but I want to address the time determinator for now.

To set the stage, you are the only person running your business. You do the estimating, selling, checking the jobs, collecting the money, dealing with the clients, and whatever office work that

needs to be done. In other words, you are a typical small contractor who wears many hats in your organization.

To analyze if you have the time available to grow to that amount, we need some existing information. One, is your average job size (AJS). Let's say your AJS is \$10,000.00. Next, we need to know how long it takes you to estimate or sell your AJS. We determine that it is 3 hours.

We also need to know how many jobs you must bid before you get a done deal or contract. Let's say that number is 10% This is called your Capture Rate. In other words, you must bid ten jobs to get one.

Here is how we go through the steps.

New Sales Number: \$1,000,000.00

AJS = \$10,000.00

Capture Rate: 10%

First step is to determine how much you must bid to get to \$1,000,000 in Sales. Since your capture rate is 10%, you must bid \$10,000,000 to secure your \$1,000,000 in Sales.

Since your AJS is \$10,000.00, you must also bid 1,000 jobs at your AJS to bid. Since it takes 3 hours to do one average job size, you will need 3,000 hours to do this task.

That breaks down to 50 weeks at 60 hours a week, just to complete this one task. Since you perform more than this one task, you do not have the available time to do it.

Now, I know you're going to say, "Okay, I'll hire someone." Well, then, we need to work out the money determinator to see if you can afford to hire someone. One determinator is always hinged to another, so it isn't quite that simple. This is how so many contractors get themselves into trouble. They are trying to make something work that is outside their capabilities, capacities, and determinators.

The idea is to develop a realistic model of a company's capacity to perform within its marketplace, an optimum market mix, and the optimum use of the time and skills of its management staff.

The key word here is "Optimization." That means utilizing the full capabilities and capacities of the company.

The derivation is based on an optimum Distribution of Time, typical Job Characteristics of the market, and the Overhead Expenditures needed to attain a balance among sales, production and finance.

These three sources of information formulated from the existing company provide the base for the model that will guide company's capacity to sell, perform, and finance its volume according to capacity.

The company's Volume Derivation combines data from the Distribution of Time, the Distribution of Job Characteristics and other pertinent statistics such as capture rates and markup rates to perform a series of calculations. This is the capability of the company to achieve the volume.

It is these calculations that set the sales goal for the company and its people. These calculations also balance the Sales Production and Financial Capabilities of the company, which drives the optimization factor.

Most contractors try and sell as much as possible, mostly at low pricing models. Selling alone will not make a company successful, and neither will the advice of a consultant or coach who doesn't understand Volume Derivation.

If you want to build a successful construction business, you MUST understand and respect your capabilities and capacities, and the determinators that govern them. Also, you must understand your business metrics and how they work for your business.

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## Chapter Five– Business Metrics

Every business focuses on making sales, paying the bills, and hopefully making a profit.

However, there are other financial and performance measurements that can provide early warning signals and detailed avenues to greater success.

At this point, you may be asking ...

What are business metrics?

They are a unit or units of measure to gauge and detail a company's performance and provide the company's management with standards of improvement.

For example.

You may 'think' it would be a great idea to hire a new employee. Maybe, you think it might make things easier for you, or grow your business. The true answer is, how do you know? Can you prove it's in your best interests?

It is NOT what you 'think' is best, it is what you can justify within your existing capabilities and capacities of your business.

The path I have my clients follow is:

*Measure >>> Quantify >>> Justify >>> Implement >>> Track >>> Adjust*

In my [Golden Hard Hat Mentoring Program](#), I show owners of construction businesses how to measure, track, analyze and justify their business metrics. In hiring people, we use the program's distribution of time to develop the metrics for each position within the company. Based on the strategic business plan we have developed together, and the existing performance of the company, we can clearly justify when it is required by performance for new hires, thereby eliminating a top-heavy business

Another example that I see so often, is the 'thinking' of which work is most profitable for the business. Unfortunately, for most owners, this is nothing more than a thought based on emotions. Remember, we want to measure, quantify, justify. To do that, we use the program's Job Characteristic Report to show us, based on our specific parameters, type of work, or owner that provides us with the highest return for our efforts, thereby eliminating that work or owner who hurts our bottom-line performance.



Even one more element is understanding your pipeline and backlog metric. As we all know backlog is the amount of work you have in the work process at various degrees of completion. Your pipeline is the amount of work you expect to funnel into your backlog through your marketing, lead capture and capture rate of the leads into signed contracts. Based on your turnover metric, we can calculate your maximum and minimum backlog you should have at any given time.

The use of business metrics, including the measuring, tracking, analyzing, and justifying help keep the business on its target, and within the capabilities and capacities of the business. As in all things, it is critical to the success of the business to know the right parameters – and then to know how to use them. Measuring with the wrong metrics can do more damage than good.

Here are five easy tips:

1. ***Understand and know your businesses capabilities and capacities.*** I hate to say this, but I see too many contractors get themselves into trouble because they do not understand their capability and capacity. You only have so much time, money, employees, equipment, knowledge and experience. Use it wisely.
2. ***Understand measure, quantify, analyze and justify.*** Every element of your business should be exposed to this concept. Accountability is fundamental to effective management and decision making.
3. ***Determine the correct metrics.*** You need to determine the correct metrics, and then make sure you fully understand them and have the proper tools and information for measurement. Choose your metrics that best fit what matters to your strategic business goal, from which individual objectives are created.
4. ***Avoid the pitfall of ambiguity.*** Your metrics must be extremely clear. A broad goal like “increase sales” can leave everyone with different ideas, thereby producing failure. Your metrics should be so clear that an outside person could come in and check whether the objective has been met. Clarity produces certainty.
5. ***Invest in the knowledge, help and tools that deliver.*** To make this work for you, you need a working knowledge and real-time feedback. In the [Golden Hard Hat Mentoring Program](#) we provide owners of contracting businesses, the knowledge, resources and spreadsheets that feed the vital information to the owner via dashboards that allow them to quickly view and analyze its performance.

Here is an example of a dashboard that show the financial and employee metrics to do its yearly volume:

YOUR CONSTRUCTION BUSINESS					
SNAPSHOT					
F/Y Projection	2015			Capital Requirements:	\$152,500.00
M.U.R.	1.45			Avg. Collection Cycle	2
	Amount	% of Sales			
SALES	1,000,000.00	100.00%		Avg. Project Turnover:	150
COS	690,000.00	69.00%		Maximum Backlog Amount:	\$200,000.00
GP	310,000.00	31.00%		Minimum Backlog Amount:	\$145,161.29
OH	225,000.00	22.50%		Breakeven Volume:	\$725,806
NP	\$85,000.00	8.50%		Average Project Size	100,000.00
				Number of Projects =	10
Bid Capture Rate		7%			
Bid Volume	\$14,285,714.29			Number of Projects to Bid:	143
TIME MANAGEMENT REQUIREMENTS					
	Hours Per Project	TOTAL	Available	# Require	
Estimating	40	5714	4500	1.27	
Project Mgmt	1000	10000	5000	2.00	
Sales	11	1571	2500	0.63	

From this snapshot, we can see the following metrics from a fictitious company we will name, Your Construction Company.

The company plans to do \$1,000,000 in volume at a markup rate of 1.45, and produce a bottom-line of \$85,000 after paying its owner a reasonable salary. The company will need a capital reserve of \$152,500 in either a line of credit or cash, or a combination of the both to properly fund its goal.

It collects on its receivables every two months, and it takes the company approximately 150 days to complete its average project.

The maximum backlog amount it can't exceed is \$200,000 and its minimum backlog amount in cannot go under to maintain its goal is \$145,161.

If the company controls its expenditures and reaches its goals in all areas, its breakeven volume is \$725,806.

Based on its capture rate, the company will have to bid approximately \$14,285,714 of new work to produce its desired volume of one million. This metric indicates that either estimating or the companies target market may have to be reviewed.

According to its time management requirements, it has the correct number of estimators, and project managers. It has an excess in salespersons which indicate that with proper modifications in its sales people it could increase sales.

Keep in mind that you will need to reevaluate and adjust your metrics as your business priorities change. Fortunately, this program shows you how to accomplish that. Such knowledge is extremely helpful in making every effort to achieve what you set out in your strategic plan, even if your targets were off.

Unfortunately, too many owners of construction business don't always recognize what makes their businesses work, thereby stunting growth, profitability, and the freedom they desire in their lifestyle. When you invest time and thought into setting, monitoring, sharing, and refining your metrics, you'll be amazed at how much more in tune you are to the state of your business, and how much more easily you can make the critical decisions that can catapult your business' success.

### **The story of client X**

Over the years, I have had the pleasure of working with a select handful of forward-thinking contractors. These are owners who are serious about making their businesses a success. They just don't dream it, they do it.

Back in the late 90's, I was doing a seminar about building bigger profits. I revealed to the audience some of the elements in my business model. After the session ended, a young man in his mid-thirties approached me. He asked about my mentoring program, how much it cost, and what it consisted of. I told him all the details and answered his questions.

He replied that he was willing to join but didn't have the funds to do it. He assured me that he would contact me as soon as he had them available.

Now, most people never call back. They drop out of sight, never to be seen or heard of again. Not this young man.

A few months later I got his call. "I'm ready," he said, "let's do this!"

His business was in chaos, disorganized, and financially strapped. He suffered with all the same headaches and frustrations, so many contractors suffer with day in and day out. One minute you've got work, next minute you don't. One minute you've got money, next minute you don't. Do you know what I mean?

However, he was a dedicated and a hard worker, he listened, learned, and implemented every aspect of my business model. He worked hard and never gave up.

The business grew in steps, built itself and found its path. He sold his business in 2010, not for millions, but tens of millions.

He flew into Sarasota with his family and with my family we celebrated his new fortune. During the dinner, he leaned over to me and said, "Henry, we're going to do it again. Using your business model and mentoring I did this, with your business model and your mentoring, I intend to do it again!"

Believe it or not, we are doing it again. I've worked and known Client X for over 18 years. That's a long time, but he obviously sees that benefit it has brought him. We talk every week and he is making it happen again.

Understand that Client X realized his problem. He was a knowledgeable contractor, college educated, hard-working, with great construction skills, but he lacked the specialized business skills, very much like every other contractor. That was his problem. However, anyone can learn this.

The frustrations, headaches, and ups and downs were a result of his problem. He realized he needed help in fixing it.

I was the solution and the guide. I had the experience, knowledge, and proven business model which was the solution, and my mentoring was how I guided him through that maze and onto his success.

I know most owners of construction are not like Client X. They find excuses for not doing it, rather than commit to doing it. It's a lot easier that way. That is the problem with a dream. It will always be just a dream until you make the commitment to turn it into a reality.

*From structure comes success!*

## Chapter Six- FIVE Ways to Make Your Construction Business Successful!

Contractors are hard-working people. They have no fear of doing the job, spending the hours or taking on the responsibility.

All of that is good. It speaks highly of their character, values and commitment. However, it can also be their biggest road block to achieving success.

The relentless focus on getting the job done, or being consumed by the day-to-day pressures of running a company can have a lethal effect on the results their efforts produce.

Because I work with so many contractors big and small, from Mom & Pop operations, new start-ups and well-established individuals, I see common problems that anyone can avoid if they are aware of them to begin with.

Let's talk about relentless focus. Putting all your energy on closing the next deal, keeping cash flowing into the business, and constantly putting out fires can be harmful to any business in the long-term. You must come up for air and assess what you're doing. Just like, you need the advice of a professional to help you see the obvious that you are missing.

Drive and ambition are great attributes if not admirable qualities. However, being able to step back and take stock of what you are doing and the results you are producing, is even more important.

Here are five easy steps you can take to help your business and yourself to become more successful.

### 1. Step Back

Every now and then, you need to step back from your business and evaluate exactly what you are doing. That means, getting away from the business. Whether it be attending a business-building seminar, listening to a webinar, reading a book on business ideas or strategies while lying on the beach, you must take a break.

However, it must have a desired result. That is, uncovering your areas of underperformance or poor performance, and developing some solid ideas to correct them. This is an important moment, your moment to come to terms with your reality and what you need to do to improve. To get started, answer these simple questions:

*"Did I achieve everything I set out to achieve?"*

*"Was I really successful?"*

*"What problems do I have?"*

*"How can I fix them and make next year better?"*

Just being able to ask these questions of yourself takes leadership. Dealing with them, finding the answers or solutions, proves you are a leader.

## **2. Do a Performance Check**

One of the key elements of driving success is how the systems and procedures perform in your business. You need to put them under the microscope and analyze their performance.

Ask yourself these questions for this exercise to get yourself started.

*"Are they producing the end-result I want?"*

*"Are they feeding me good information quickly?"*

*"Are they efficient?"*

*"If not, why? Could it be my employees?"*

It is not uncommon for business owners to 'think' they are the center of their business. However, that is determined by profit and customer satisfaction. If things don't get done right the first time, profit suffers. If it persists, customers will tell you how unhappy they are.

Don't try and do everything yourself. Don't expect outdated or poorly performing systems to pick up the slack. They only make it worse.

## **3. Seek Advice from Outside Your Business**

Find someone you trust to give you their opinion of you and your business. Yes, I know this will be tough, but it will help you if you can take constructive criticism.

With all day-to-day problems, it is easy to lose sight of what it was you were trying to do in the beginning. There is an old saying; *"When knee-deep in a swamp of alligators, it is easy to forget why you were trying to drain the swamp in the first place."*

Seek out advice from business professionals. Their insights might have tremendous value to helping you grow a better business.

## **4. Take a Hard Look at Your Best Customers**

Do you have good customers who treat you right, keep coming back to you with more work, or have no problem, maybe even go out of their way to recommend you to others?

If you do, you have a gold mine that needs your attention.

What you need is more of them. You need to figure out what their characteristics are and how you can get more of them. You also need to keep in touch with them. Send them Thank You

notes, newsletters, holiday cards, whatever will work and is affordable. Keep your name in their view.

## 5. Plan Ahead

With the tough economy we have currently, planning makes even better sense than ever before. As my Dad always told me; *"Plan for the worse and the worse won't be so bad."*

That means don't be too optimistic when it comes to your business planning. Focus on producing the results, but keep your exposure limited if it doesn't work out. That means understand the gloom and doom, don't let it disrupt your plans, just protect your business.

Success means taking risk. However, evaluating, understanding and building a strategy to overcome the risk helps you overcome the risk.

### **If you're ignoring this, you're asking for ...**

As business owners, we all want to make more money.

Some contractors think lowering prices or taking the job just to get a job, or taking on more work is the right way to do it.

This couldn't be farthest from the truth.

As my father taught me, the real money lies in how you manage your business.

I learned from my own experience as a start-up contractor with nothing more than a pickup truck and business cards to a multi-million-dollar contractor that became one of *ENR Top 400 American Contractors*, that part of managing means having the proven business model with all the processes, procedures, and systems that make it work, and a comprehension of the business metrics that drive the business.

But here is the problem.

Most contractors don't have this specialized business knowledge.

Most contractors don't have a proven business model.

Most contractors don't have the processes, procedures and systems.

Most contractors do not know their business metrics.

However,

Most contractors are hard-working, honest people. They have a dream or a deep desire to be successful. What they are missing is the right business training.

You see, that is the missing key and if you want to reach your dreams and goals, you need to stop ignoring it.

Think of yourself being locked out. You want to get in. You need to get in. But you don't have the key!

Frustrating, isn't it?

Now, let me ask you a big question. *"If you had the key, that knowledge, business model, the processes, procedures, systems, and you understood how your business metrics work, how much farther ahead would you be in your business?"*

I bet leap years ahead!

Most contractors spend a ton of time and money sharpening their construction skill while ignoring their business skills. Isn't it time to sharpen your business skills?

***From structure comes success!***



## Chapter Seven- The 4 Most Costly Excuses That Hold Contractors Back

What do you think stops you from taking your business to the next level? The daily demands of one crisis after another crashing down on you?

A lack of cash to grow your company?

Outside forces like a tough economy or governmental regulation?

Ask yourself this question: *What have been the real excuses I've accepted in my past that have kept me from reaching my goals?*

Over the past 25 years, I've helped hundreds of construction business owners make their businesses more successful and less owner reliant. During this extended time, a distinct pattern has emerged about what it really takes to build a thriving owner-independent construction business.

Here are the four biggest excuses that I've observed that have held other business owners back and why we think they simply no longer serve you. It's a strange phenomenon we've repeatedly observed wherein smart, capable, and committed business owners stridently argue for the very limitations that are what hold them back from enjoying an extraordinary quality of life and business success. Remember, in life if you argue for your excuses you get to keep them.

This chapter candidly explores these four major excuses and empowers you to let them go. Contractor's who've gone on to enjoy the wealthiest lives (financially and otherwise) have all found ways to take responsibility for their business lives and let go of these costly excuses

### **Excuse #1: "I can't afford it . . ."**

Whether you think you can't afford the time to claim back two to four hours a week to focus on higher-order activities, or that you can't afford the outside help to implement and execute the necessary processes in a disciplined, effective manner, or that somehow applying the formula laid out in this book is going to push you to make hires sooner than you can afford them, the money excuse is more smoke than substance.

Most contractors think only in terms of what it will cost them to invest in the staff, or the systems, or the education, or the outside help they need to grow and develop their companies.

For them, the decision is skewed because they only look at the cost of doing this new behavior or executing on this new decision or strategy.

What they ignore is the true cost of the status quo.

Let's about that.

### **The story of Client Z**

Like so many other business owners, Client Z was so mired in being the center for his business that he couldn't step back and see his business accurately. For him it meant being on the job barking commands and running to the local Home Depot to get supplies, or sitting in his pickup taking calls.

One of the first things he discovered when he started in the mentoring program was that one part of his business, his contracting business, was losing quite a bit of money every year. Not only was this part of the practice stressful and time intensive for his staff, but Client Z was paying to keep it going. In fact, his status quo was costing him \$70,000 of direct costs, plus tens of thousands of dollars more of hidden, indirect costs. This is a clear example of what we mean when we tell contractors that the cost of the status quo is already much higher than the minimal cost to get started maturing and progressing their companies.

Not only was the net effect on Client Z's practice of converting that \$70,000 annual loss into a \$200,000 annual gain the equivalent of \$270,000 a year of additional profit for his business, but, more important, he has given himself the breathing room to see his business from a better vantage point. In his case this has allowed him to finally bring on the right additional help and create a concrete pathway to continue to scale his business. He's grown his profits and reduced his working hours by 10 hours a week. Here's how Client Z describes this change:

*"For the first 12 years of owning my construction business, \$30 million dollars slipped through my fingers, I worked long, hard hours and never had enough left over. Since starting to work with Henry, my construction business has done a major turn-around. I am producing higher sales, bigger profits (double digits after my salary!) and a good team in place who know exactly what is expected from them. All the successes I am enjoying is the direct result of Henry's mentoring."*

Client Z's story is not unusual Our point is: When we hear contractor's, say they can't afford to follow what we're sharing in this book to progress their business, we know that they are leaning on an easy excuse. And this excuse is what is holding them back. They are likely not seeing how the status quo is holding them back and costing them tens if not thousands of dollars every

year, whether that cost is lost profit from a broken area of their business, or the lost opportunity of growth due to the lack of funds to reinvest back into the company.

The truth is, you can afford to put your business on the right track, you just must want to do it. You can do it by discovering that proven model that makes your business core work smarter and better.

## **Excuse #2: “I don’t have the time ...”**

No business owner ever initially feels like he or she has extra time to scale their business. Overall, business owners feel maxed out and strained to capacity. But this book reveals why and how.

But let’s be clear – you don’t need to work more hours. We’re not asking you to work nights or weekends. All I’m asking is that you take some time, whether it is 15 minutes or more a day to work on your business, not in it. When you start using this block of time on a regular basis, it becomes a habit, a good habit that provides you with the momentum and results you want once you start progressing your business.

This is not an overnight, instant magic pill. You can’t do it all at once. You just need to start now, here, today, and make small changes. With those small changes producing in your company, you’ll be able to expand and build on them. You’ll implement more of the business model and your team will begin what it is they need to do, which will free up more of your time. Eventually, you will become the master of your business, where the day-to-day operations of your business will rely on your team members operating the systems and controls. Remember, this is a progression, not an on/off switch. You just must get started now.

## **Excuse #3: “I’m overwhelmed ...”**

This is a hybrid version of excuse #2. What these contractors are saying is, “*I don’t know where to start. I feel out of control.*” They are feeling the pressure of trying to keep their heads above water, of dealing with the demands on their time, worrying about the next big problem. For them, it feels as though everyone wants a piece of them or their time.

Here's the good news: It has been our direct experience of coaching and mentoring with hundreds of contractors on the business model and executing it into their business that if you are serious about making things better, you can see a sizable shift in a very short time. Our clients have seen that shift take place within 3 to 7 months. You'll start to feel free to breathe again, like your beginning to take real control of your business versus your business controlling you.

One of our clients put it this way: *"It was just time. I had worked so hard all those years to get to the point where the business was thriving, but I just didn't see the impact of all that on my wife and my kids. When I started in the program it really helped me see that impact, which gave me the motivation to make things better. What's amazing to me is how quickly this has all happened. It's been less than a year in the program and my company is more profitable than ever. We've driven our cost of capital down by half a million dollars or more, my team is fully on board in this process, and I have so much more time with my family. What the program has shown me is that I could build the business to work for me. I just needed a structured business model to follow, the understanding of my business metrics, and the accountability to do it. My only regret is that I wish I had started sooner."*

#### **Excuse #4: "Now's just not the right time ..."**

This is the business owner who says, *"I see how it will help me, but the timing isn't quite right."*

What this person doesn't realize is how expensive that statement is in terms of lost profits and loss time in freedom. Personally, I find this the most damaging and dangerous excuse of all. In effect, excuse number four says, *"Hey, someday the time will be just right, the stars, sun, and moon will be perfectly aligned, and at that perfect time – and only then – I'll take that first step to work on my business with you."*

The reality is that the timing will never be perfect, for this or for anything. Now is the only time you must get started. Today is the only day to make a new beginning so you can enjoy a better ending.

Ask any of the contractors that I have worked with and they have seen the results of the program kick in, and they will all tell you that they wished they had done it sooner. All of them would tell you waiting is the worst thing you can do.

## Chapter Eight– Get Your Life Back Now

This client came to me when things got very bad for him. His line of credit and surety bonding were shut off. His company was in a negative liquidity and sinking. No cash flow, and bills piling up. His request was simple, *“Can you help me?”*

What amazes me is this. Why wait? This contractor would have been flying high had he sought my help earlier, but he didn't. Chalk it up to ego, procrastination, stubbornness? I don't know.

But I do know this.

Had he sought our business coaching before he got in financial trouble, this never would have happened.

We reviewed his financial position. Drilled deep and came up with a step-by-step solution. I informed him he couldn't expect things to turnaround overnight, but if he focused on what had to be done, he would see massive improvement within several months.

### **Four Months Later**

First, let me say this.

I admire business owners who aren't afraid to roll up their sleeves and work on their business instead of in it. Business owners who aren't afraid to ask for help, advice, and guidance. Business owners who are open-minded and willing to learn. This business owner was all of that, and willing to work hard to save his business. He had just falling into the 'TRAP' that easily snuffs out many an unsuspecting business owner.

However, put that aside because ...

I enjoy working with them because they are forward-thinking and willing to do the work to produce the results. In fact, I admire this type of business owner.

But let's jump to today. I just received his weekly financial snapshot. He exceeded what I expected him to do. He is one of those exceptional persons who responds well to a challenge.

His business is no longer in the negative. In fact, cash flow is a healthy six-figure amount, liquidity is too, and ... backlog with his new markup rate, is exactly where we want it to be. The world looks entirely different from this position. Not what it was a little over four months ago.

He is a street-smart contractor now.

What about you? Are you growing your business, profits, and your personal wealth? Would you like too?

How about your freedom of lifestyle? Do you want to improve that also?

If you're that caliber of business owner like this client, why not reach out to me now? Yes, you might think things are doing great and you don't think you need my help, however, you'll be pleasantly surprised how much farther ahead you'll be with the training, help, guidance, and advice of a business coach/mentor with a proven business model for contractors.

I've coached six MBA's and three CPA's. They all commented that they learnt something they didn't know before, more than expected, and it helped their construction businesses, their bottom-lines immensely, and their personal lifestyles. Imagine what you can do if you possessed the same knowledge and help?

*From structure comes success!*

Let's talk. It's free and informative. I'll address your concerns and questions, and show you how business coaching will elevate your business to higher levels. Click below and let's talk!

[>>>Schedule our telephone call here!<<<](#)