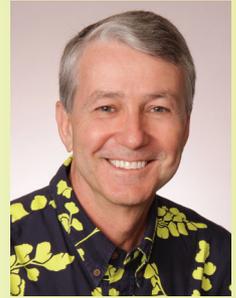


From Good to World-Class

Where Are You on the Contractor's Life Cycle?



BY GARRETT J. SULLIVAN



You've worked hard and you're running a good company, but that's the problem. It's good but not excellent. It's meeting all of the minimum criteria but not hitting home runs. How do you move the needle of your company from good to world-class? I recently attended the annual convention of the Associated General Contractors of America (AGC) where we discussed just that. A contractor who successfully made the quantum leap presented an outstanding class.

It was during this class that I began to think about the contractor's life cycle and the progressions company owners must make in order to reach the summit of true excellence. In my experience, successful contractors need to wear two hats, one of a technician and one of a businessman. If you lack one of these hats, you must recognize it – and hire someone to wear that hat.

Additionally, to achieve world-class contractor status, you must be an extraordinary change-agent, someone who directly or indirectly causes positive transformation. There are three recognizable traits of every change agent:

- The ability to see a future no one else can see – this vision won't let the change agent rest until it has been accomplished.
- The courage to bet one's career on the vision – change agents take bold actions and aren't afraid to suffer the consequences.
- The "X Factor" – Change agents galvanize teams and cause others to take action they never thought possible.

As an owner, are you fulfilling your role as a change agent? If you understand where your organization is in the contractor's life cycle (posted at www.SullivanHi.com), it will be easier to create change and to navigate the unexpected hurdles associated with that change. A brief description of the three levels is below:

Level 1: Nearly 95 percent of new contracting businesses go bankrupt within the first five years. The Level 1 contractor is usually the former superintendent or foreman of a construction company that ventures off on his own. This business is similar to "Joe the Plumber." He starts a company with one truck and stays that way forever. For some, this arrangement works well. However, it is not a true business. Instead, it's a person working for wages.

Very often, a Level 1 business is undercapitalized and lacks a deep understanding of accounting/finance. The company may enjoy some early success, but in reality, it's in a race against bankruptcy. If Level 1 contractors hope to grow, they must hire true expertise in accounting and other critical business functions. Without that, it will be – at best – a Level 1 contractor.

Level 2: Level 2 contractors have survived where most others have failed. They have endured 60-70 hour work weeks that include bidding the work, managing the work, doing the work, subcontracting the work and holding down the bookkeeping/administrative functions. These

contractors have accumulated equity in the business and are hiring expertise to help shoulder the day-to-day business functions and establish procedures. This level typically takes a minimum of two to three years before Level 2 contractors are stable, adequately capitalized organizations that have obtained a line of credit and a bond program.

Level 3: Level 3 contractors are firmly established in the community, region, and/or country, but remain extremely vulnerable. A quick review of Hawaii's top 25 contractors from 10 years ago confirms how easy it is to slip from this position. Some of those contractors are now out of business. The biggest hurdle for these organizations is complacency. If this sets in, Level 3 contractors typically have a few bad jobs and slide back down to a Level 1 or 2 – or simply go bankrupt.

Why? They do not – or will not – recognize the significance of being a Level 3 contractor. The organization's change agent, who was so instrumental in bringing the organization to its current level, no longer feels driven by the "fire" and vision.

In short, there is no rest for anyone in the contracting business, regardless of its level. At each iteration, contractors must reinvent themselves. They must be change-agents who have developed employee "bench strength," reliable systems/procedures and a smart succession plan. Contractors who are cognizant of these factors will become – and remain – world-class. **BI**

Garrett Sullivan is the president of Sullivan & Associates, Inc., a management consultancy focusing on the construction industry in Hawaii. Reach him at GSullivan@SullivanHi.com, www.SullivanHi.com, or (808) 478-2564.