

Best Practices

By *Garrett Sullivan*

Volume Kills, But Profit Thrills

Nine ways to stay in business for the long haul

This month, the Top 25 Contractors are being announced. Making the list is no small milestone. It requires great leadership in a challenging, risky industry. Both leaders and employees deserve praise for their skill in this competitive industry and sluggish economy. These companies have successfully navigated a number of challenges including a shifting pool of qualified employees, harsh economy, and even unpredictable weather conditions.

Let's step back 10 years. If you look at the list from 2001, some of those once iconic companies have either gone out of business or merged with other firms. This confirms to me that it's far more difficult to stay on the top than it is to reach the top. I have mixed sentiment about the Top 25 Contractors list and hold a contrarian view to the metrics used to evaluate contractors. A list that measured the Top 25 *Most Profitable* Contractors might be a better gauge because it would reveal the key element to longevity in this industry – the bottom line.

There's nothing innately wrong with measuring total revenue. After all, the great game of business requires that all CEOs make money for the company. That is how we keep score, right? Total revenue is vital, but too much emphasis on it can detract from maximizing shareholder value – the CEO's ultimate objective. Regardless of whether the shareholder is the owner or a traditional group of shareholders, this figure can get lost in the unquenchable thirst to increase income. When this happens, it's typically not long before a company – even an extremely successful company – can begin to self destruct.

My research has found that the most profitable contractors follow most – if not all – of the following nine habits:

- 1. Share your Vision:** Without question, all successful companies continuously maintain a vision of what the company will look like in the next ten years. This lets them develop the talent needed in an orderly fashion and keeps everyone focused on the right outcome. Communicate it frequently and in a variety of ways.
- 2. Create a Strategic Plan:** Once the vision is clear, it must be supported by a well thought-out plan which clearly articulates the long-term strategies of reaching the vision. The strategic plan is then supported by the yearly updated business plan – a fluid document which serves as the playbook on a month-to-month basis. To ensure this plan is taken seriously, tie bonus incentives to the desired outcomes.

3. **Benchmark:** What gets measured gets performed. Best in Class contractors (the top 25% in their class) set and monitor financial goals vigilantly. Just like a football team works together to score a touchdown, Best in Class contractors sometimes refer to their benchmarking meetings as their monthly “team huddle”. This is where performance is measured from the past month and forecast for the coming month. Follow this pattern and you will begin to see significant increase in profit.
4. **Review Core Competencies:** It’s important to define and capitalize upon your company’s greatest strengths. Focus on the areas in which you excel and make the most profit. Consider declining jobs that do not meet your financial benchmarks.
5. **Establish Core Values:** You, as the company’s leader, set the values by which everyone must abide. These are nonnegotiable. Companies flounder when employees do not reflect the core values when dealing with other employees, working at the jobsite, or interacting with subcontractors or customers.
6. **Choose the Right Team:** At the end of every season, all major league sports teams evaluate their players, pick new ones, and trade or drop existing players in order to correct weaknesses. Best in Class Contractors do the same.
7. **Embrace Change:** Be nimble. The amount of information in the world doubles every 18 months. Highly profitable contractors pay attention to, and are quick to adapt to, changes in the industry. With new environments, new opportunities emerge.
8. **Train:** High performing contractors realize that continuous training equals excellence. It also helps retain your top talent. Some contractors argue that employees might leave after they’ve spent money on their training. Smart contractors know the opposite is true – “What if I don’t train them and they stay?”
9. **Stay Balanced:** All work and no play creates burn out. While hard work is necessary, we all need a break from too rigorous a schedule. What’s more, today’s younger generation demands leisure time to pursue their non-work passion. Don’t be afraid to cap off an intense, strenuous project with an appropriate amount of recreation. It allows you and your team to literally re-create.

By incorporating these habits into your company on a daily basis, you will not only see a marked improvement in the profitability of your company, you’ll become – and remain – a Best in Class contractor.

Garrett Sullivan is President of Sullivan & Associates, Inc. Reach him at GSullivan@SullivanHi.com or 808.478-2564.