

MERIT SHOP

CONTRACTOR

WISCONSIN

SUCCESSION PLANNING:

WHY IT'S ESSENTIAL
FOR YOUR BUSINESS

SOCIAL MEDIA:

WHY YOU CAN'T AFFORD
TO SIT ON THE SIDELINES

**IMPROVING
CONTRACTOR
PERFORMANCE
(AND PROFITS)**

SLOWER GROWTH

BUT CONTINUED GROWTH FOR 2019

ALSO INSIDE:
**CELEBRATING PROJECTS
OF DISTINCTION**
PAGE 6

ABC NEW MEMBERS
PAGE 22



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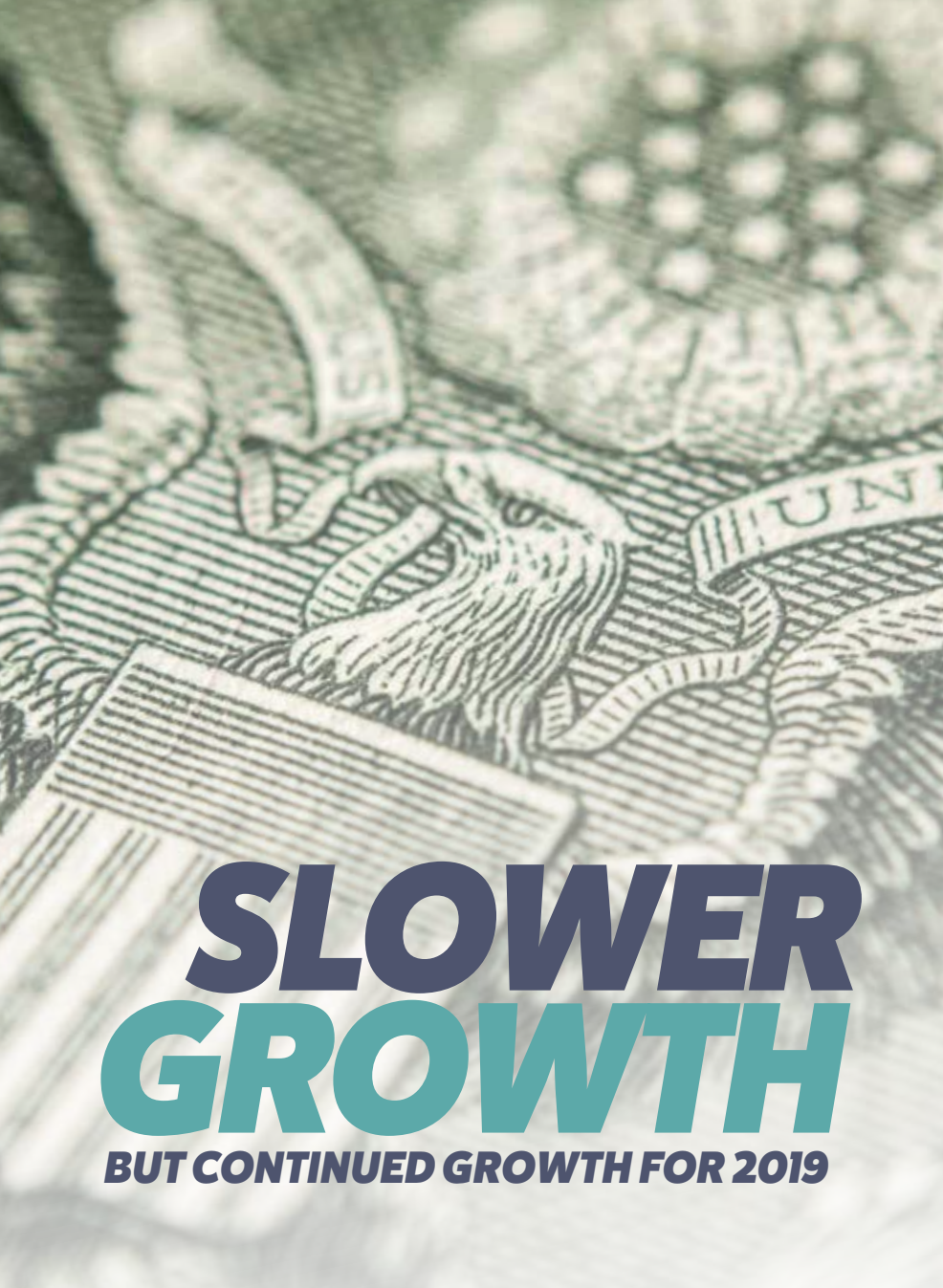
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SLOWER GROWTH BUT CONTINUED GROWTH FOR 2019

MERIT SHOP CONTRACTOR

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FROM OUR PRESIDENT

Program provides dividends and encourages world-class safety



ABC OF WISCONSIN RECEIVED SOME POSITIVE NEWS LAST MONTH. The second year of our Sentry Insurance program was a very successful one, from both a safety and financial perspective.

Roger Kaland, regional executive from Sentry Insurance, announced at SuperCon that participants in the ABC of Wisconsin Sentry program are receiving a dividend of 13.54 percent for 2018. The total dividend amounts to more than \$220,000 in returned premiums. It's a great first full year, not only because of the dividend, but what the dividend represents: very high levels of safety demonstrated by ABC members and their employees.

It all starts with STEP. Members in the Sentry Insurance program are participants in the Safety Training Evaluation Process (STEP), which is open to all members of ABC. To participate in STEP, contractors simply submit safety documentation, which is used to determine their level of safety performance. You do not need to be in the Sentry program to participate in STEP.

There are different levels of STEP, and each participant's level is determined by an evaluation of their safety policies, procedures and records. To be considered for the Sentry program, you must have Silver, Gold, Diamond or Platinum STEP status, in addition to meeting Sentry's underwriting criteria and evaluation.

This partnership was established because both ABC of Wisconsin and Sentry share a mutual

interest in promoting safety. Sentry was interested in offering a program that provides additional financial rewards to ABC of Wisconsin members who demonstrate their commitment to running safe businesses. Sentry recognized STEP as the ideal benchmark for contractors to demonstrate their commitment to safety. Eligible lines of business include Property, General Liability, Crime, Inland Marine and Commercial Auto. It's a rare program in the insurance industry.

We don't expect to see double-digit dividends in each year of the program, but we are certainly happy with the potential to reward our members and their employees who run safe operations.

If you're interested in learning more about STEP or the Sentry Insurance program, please give us a call at ABC.

— John Mielke

“
**PARTICIPANTS
IN THE ABC OF
WISCONSIN
SENTRY
PROGRAM ARE
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DIVIDEND OF
13.54 PERCENT
FOR 2018. THE
TOTAL DIVIDEND
AMOUNTS TO
MORE THAN
\$220,000.”**



Roger Kaland
(left) with
John Mielke
(right).

52 VERY DISTINCT PROJECTS RECOGNIZED

The Projects of Distinction (POD) Excellence in Construction Awards acknowledged 52 very distinct projects at a banquet in February. Projects of Distinction provides an opportunity for ABC and its members to highlight the quality and professionalism of projects built on merit. For detail on each award, please visit ABCWI.org/POD2018.

For the eighth consecutive year, the “Built on Merit” Award was presented to Friede & Associates for using the highest number

of fellow ABC members to complete the Vintage Brewing project. Friede & Associates used 29 contractor and supplier members on the project. Congratulations and thanks to Friede & Associates!

Also, as part of the awards program, Bob Engler of Engler Services, Inc. was awarded the 2018 Wes Meilahn Award for his dedication and tenacity toward ABC of Wisconsin and merit construction. The 2019 POD entry process will be ready in early July.



151 East Wilson
Stevens Construction Corp.



Ajinomoto Foods
Consolidated Construction Co., Inc.



Breese Apartments
Stevens Construction Corp.



Bridges at the Rock
WDS Construction, Inc.



Camp Gray The Ark - Gymnasium
Holtz Builders, Inc



Care Animal Hospital
Keller, Inc.



Chula Vista Resort Employee Housing / Friede & Associates



Chula Vista Resort Fire Restoration / Friede & Associates



City of Baraboo Public Safety & Administration Building /
Kraemer Brothers



Cuba City School District Addition & Renovations / Kraemer Brothers



Dahl Auto Plaza / Wieser Brothers
General Contractor, Inc.



Dave & Buster's
WDS Construction, Inc.



Delavan-Darien School District – Energy Efficient Lighting Upgrades / Faith Technologies, Inc.



Duraform Lane Facility
North American Mechanical, Inc.



Fairway Independent Mortgage New Corporate Headquarters
Kraemer Brothers



Fox Valley Lutheran High School
Catalyst Construction



Fulton Church
NCI-Roberts Construction



Gordon Bubolz Nature Preserve - Environmental Center and Microgrid / Faith Technologies, Inc.



Great Lakes Energy Education Center, Northeast Wisconsin Technical College / Performance Firestop, Inc.



Greenfield Food Distribution Center / ESI Constructors, Inc.



Holy Apostles
Chris Greene Inc.



Hyatt Place Hotel
KSW Construction



Klondike Cheese Company Addition / Kraemer Brothers



Masters Gallery New Plant HVAC & Refrigeration / Rohde Brothers, Inc.



Muse at Sentry
Ellis Construction



Nelson Agri-Center
Friede & Associates



Ochsner Park Otter Exhibit
Friede & Associates



Park Creek Independent Living
Consolidated Construction Co., Inc.



Premier Co-op New Feed Mill
PDC Electrical Contractors



River Ridge Middle School Addition / Kraemer Brothers



Skana Aluminum Co. Cast House Expansion / A.C.E. Building Service



Springs at Sun Prairie
Wondra Construction Inc.



St. Croix Valley Business Innovation Center / Ross & Associates, Ltd.



St. Michael's Hospital - Breast Center / Ellis Construction



St. Michael's Hospital - Emergency Department / Ellis Construction



State Street Station
Stevens Construction Corp.



Stataline Family YMCA
Corporate Contractors, Inc.



Sundara Addition
Holtz Builders, Inc.



Sundara Woodland Retreats
Friede & Associates



The 2100 Urban Residences
Altius Building Company



The Marling
Stevens Construction Corp.



TRU by Hilton Madison West
Kraemer Brothers



University Hospital A/7-C/7 Roof Replacement / Pioneer Roofing, LLC



UW-Whitewater Athletic Complex Buildings / Gilbank Construction, Inc.

HONORABLE MENTIONS



UW LaCrosse New Science Lab Building / North American Mechanical, Inc.



Vintage Brewing Company
Friede & Associates



Big Fork Retreat
Design/Build by Visner



Confluence Art Center / Master Metals Inc



Watts Hill Apartments
McGann Construction, Inc.



Welcome Center / Altmann Construction Co. Inc.



Endries Endzone
Keller, Inc.



Kalahari Resort Conference Center Sitework / Friede & Associates



Welford Sanders Lofts and Enterprise Center / Catalyst Construction



Westfields Hospital and Clinic Campus Remodel / Derrick Building Solutions



Klein's Floral & Greenhouses
Supreme Structures



Shorehaven Health Center-Wellness Residences / Altius Building Company



Wisconsin Agricultural Education Center Farm Wisconsin Discovery Center / Quality Insulators, Inc.



For details on each award, please visit ABCWI.org/POD2018



Sundara Spa / Neuman Pools, Inc.



Vennebu Hill Wedding Barn & Event Venue / KSW Construction

ECONOMISTS:

EXPECT SLOWER GROWTH, BUT RECESSION UNLIKELY IN 2019



THE AVERAGE
GROSS
DOMESTIC
PRODUCT (GDP)
GROWTH
FOR 2018 WAS
2.9 PERCENT.

By James Debilzen — ABC of Wisconsin Marketing & Communications specialist

An economist for the State of Wisconsin doesn't see an end to the current period of economic growth, but he expects growth to slow as employers across all industries grapple with new challenges, such as higher material costs and increased labor costs brought on by a declining workforce.

Dennis Winters, the chief economist for the Wisconsin Department of Workforce Development, said he doesn't believe a recession is imminent, adding he likes to joke that economists have predicted "seven of the last three recessions."

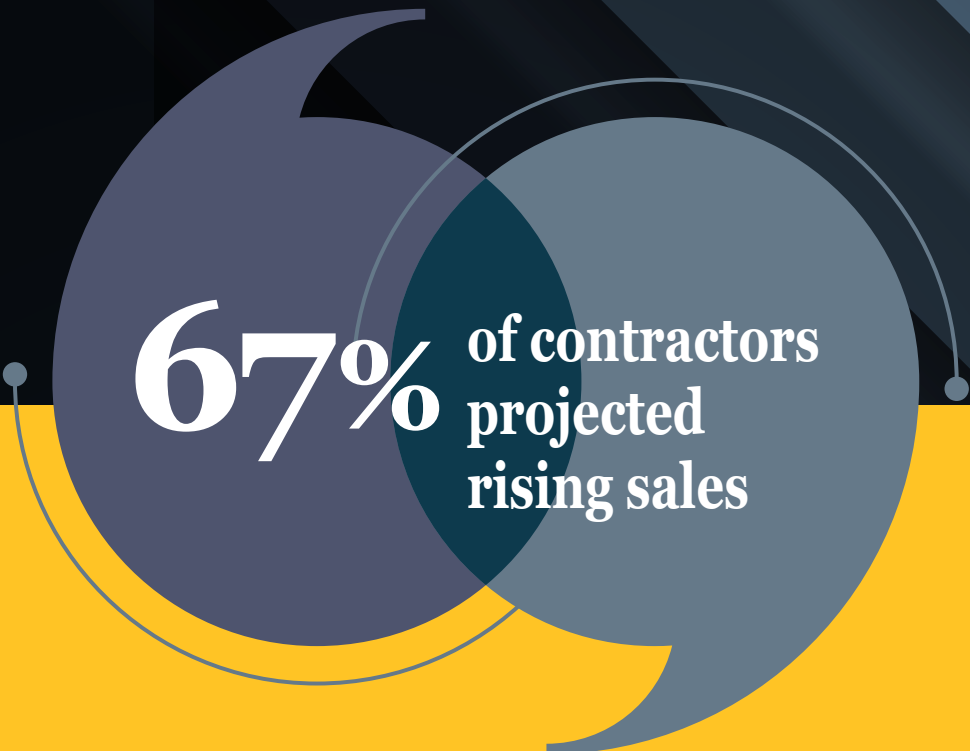
"There's been a recession coming 18 months into the future for the last three years, right?" Winters said during ABC of Wisconsin's 2019 SuperCon in February. "People keep talking about it ... It's not a perfect science, but there's nothing I can see out there that will turn this into a recession at this point."

Winters' message to the SuperCon crowd was similar to his 2018 presentation; the economy is still growing, but slower growth is ahead.

"We are on the cusp of having the longest economic expansion, essentially, in modern times," Winters said. "And if you're around in July this year, you'll be part of history. This economy is old, but economies don't die of old age."

"We may talk our way into (a recession)," he added. "It is going to be slower growth going forward than what we've seen, but on the whole, I'm kind of a 'The slower the growth, the longer the growth' opinion. So, I don't mind two-and-a-half percent (economic growth) if it's going to go on forever."

Winters' economic outlook is in line with the position shared by ABC National's chief economist, Anirban Basu, who noted the United States' economic growth softened in the fourth quarter of 2018, but remains in positive territory. The average gross domestic product (GDP) growth for 2018 was 2.9 percent, according to ABC National's analysis of data published by the U.S. Bureau of Economic Analysis.



67% of contractors
projected
rising sales

“It is quite likely that the U.S. economy will expand at around 2 percent this year,” Basu said. “Though interest rates remain low and hiring is still brisk, a number of leading indicators suggest that the nation’s economy will soften somewhat during the quarters ahead, which can be partly attributed to a weakening global economy. This won’t unduly impact nonresidential construction activity, however, since the pace of activity in this segment tends to lag the overall economy, and strong nonresidential construction spending expected in 2019.”

Sales expectations in the nonresidential construction sector remained upbeat in the fourth quarter of 2018, according to ABC National’s latest Construction Confidence Index (CCI), but the proportion of contractors anticipating significant sales increases in the following two quarters dipped by five percentage points to 15.08 percent.

ABC National noted more than 67 percent of contractors projected rising sales, 20.91 percent anticipated no change in sales and slightly less than 12 percent expected sales to decline in 2019. More than 50 percent of contractors also anticipate their profit margins will grow in the first half of the year – with only one in 10 contractors expecting their profit margins to decline – even with rising labor costs.

“Despite rising materials costs, an ongoing skills shortage and higher borrowing costs, CCI continues to indicate optimism in

America’s construction sector,” Basu said. “Construction industry leaders expect profit margins will hold up well during the first half of 2019 despite these rising costs, which speaks to the ongoing strong demand for construction services.”

ABC National said six in 10 contractors expect to increase staffing levels in upcoming quarters, but finding workers to fill open and new positions has become a perennial problem, Winters said.

“So many job openings out there, and we can’t hire them fast enough,” Winters said. “There’s not enough people. We have a quantity problem ... We’ve never been here before and it’s not going away. And all those plans you use to keep employees are going right out the window.”

Steve Shulfer, an architect, partner and CEO of Middleton-based Sketchworks Architecture, said his company and his clients are seeing the effects of rising costs firsthand, especially those tied to the labor shortage.

“I think there’s definitely some trepidation in the marketplace because of rising costs,” he said. “I think a lot of that, from what we hear, is attributed to labor costs ... We’ve had examples of projects where we’ll take a \$12 (million) or \$13 million apartment project out to bid and get one plumber to submit a bid on it. It’s just people are busy.”

“I think the combination of rising interest rates, rising labor costs, costs escalating across the board has many of the

MORE THAN
50 PERCENT OF
CONTRACTORS
ANTICIPATE
THEIR PROFIT
MARGINS WILL
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FIRST HALF OF
THE YEAR

12% of contractors
expected sales
to decline in 2019

developers that we're talking to simply a little nervous and maybe reluctant to pull the trigger on projects," Shulfer added. "... That said, I think the economy is still rolling along strong and people are still busy, and that's all a good thing."

ABC National's Construction Backlog Indicator (CBI) contracted slightly during the last quarter of 2018, but it remains high by historic standards. The CBI is an economic indicator that reflects the amount of work lined up for commercial, institutional, industrial and infrastructure construction contractors in the coming

months. CBI reached a record high of 9.9 months in the second quarter of 2018 and averaged about 9.1 months throughout the year, according to ABC National.

The backlog in the Middle States region – which includes Wisconsin – remained between seven and eight months throughout 2018. The most recent CBI report represents the lowest level of backlog in three years. ABC National noted there is evidence that the auto production and sales cycle has peaked, which has a disproportionate impact on the Middle States region.

"A number of factors contributed to the decline (nationally), including a surge in materials prices in early 2018, which likely hindered project planning and contract negotiations later in the year," Basu said. "Interest rates also rose during much of the year, potentially resulting in some projects being postponed or canceled. It is also likely that the feverish market volatility during the fourth quarter of 2018 caused some investors to hold off until the financial marketplace stabilized, which it recently did." 🇺🇸

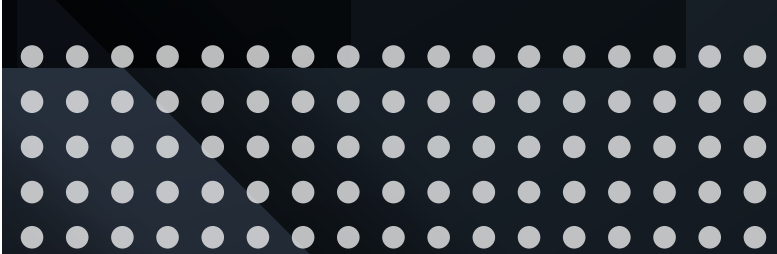


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SOCIAL MEDIA

WHY YOU CAN'T AFFORD TO SIT ON THE SIDELINES ANY LONGER

By Kyle Schwarm — ABC of Wisconsin Marketing & Communications Director

At SuperCon last month, one of our sessions was on the subject of managing Twitter for your business. At the end of the session, after the speaker had provided a number of strategies on when and how to tweet, one attendee had a simple question: "How do you do a tweet?"

It was an honest and humbling question, and one that's likely being asked by many other contractors.

Overall, construction companies do not place a strong emphasis on social media marketing. It's just not what you do, but that doesn't make it unimportant. Many contractors create social media accounts with the best of intentions, but then do nothing with them.

Getting started

Social media continues to grow in usage with no sign of slowing down. Colleges and universities are establishing entire degrees around the use of social media for marketing and business development. You can ignore it and hope it fades away, or you can try to leverage it to benefit your business. There are many good resources available online to help you get started, but unless you choose to experiment, you'll never get beyond the "Create an Account" page.

The good news is that social media doesn't cost anything but a few minutes of your day.



ALL YOU NEED IS TO BECOME COMFORTABLE
ENOUGH TO ENGAGE WITH YOUR CUSTOMERS
AND PROSPECTIVE CUSTOMERS.

"When it comes to social media, everyone starts off on a (fairly) level playing field. That's good news for smaller businesses competing for attention," said Francis Lowe, senior manager for digital communications at ABC National.

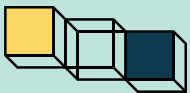
There's no need to become an award-winning social media expert or be on every social media platform. All you need is to become comfortable enough to engage with your customers and prospective customers and dedicate a few minutes to it each day.

There are several reasons why:

Build brand equity

Corporate and organizational social media is essentially new-age public relations. The media landscape has changed into one where we don't have to rely on traditional news media and their very limited resources. Now, brand equity can be built through social media activity, with no advertising expenses required.

Your brand is not what your letterhead or logo look like. These contribute to your brand, but your brand is what lies beneath this window dressing. It's the personality of your company.



YOUR BRAND IS WHAT LIES BENEATH THIS WINDOW DRESSING. IT'S THE PERSONALITY OF YOUR COMPANY.

All humans have brands, so think of your brand in terms of a person. We all have friends or family we see and immediately want to be near or immediately want to avoid. This is because we hold well-established impressions of these individuals based on our experiences with them. Whatever the impression is, he or she has branded themselves in your mind, and that's not easily changed.

Brands are emotional, and so is social media. Emotions, which can be positive (happy, satisfied or delighted) or negative (angry, irritated or upset), have a direct effect on your brand. Giving extra attention to your brand through social media can contribute to this positive emotion. When done right, social media activity can help build on these positive perceptions in the minds of others.

Stay in the game

If you're not on social media, there's a chance your competitors are snatching up your prospective clients.

It used to be the major social media strategy was to drive traffic to your website, but not so much the case any longer.

"Even if you have an amazing website and you're very proud of it, don't expect anybody to come to your website," said Josh Klemons, digital storyteller and strategist of Reverb Communications, Madison. "They're on your Facebook page; meet them where they are."

Your website is still important, but many prospective or current clients who are engaging online may not even make it to your website. Social media platforms are becoming search engines in themselves. Individuals can now use platforms like Facebook to easily search for services in your discipline. If you're not listed, you're missing out. Try it yourself. Go on Facebook and enter in "electrical contractors near me" in the search and see what comes up. You may be surprised.

Provide useful content

Social media offers businesses the opportunity to informally connect with customers and show the human faces behind the company logo, according to Lowe. This comes by providing them with useful content.

Many contractors are sitting on a gold mine of good content, but they don't realize it or they don't act on it. It's ripe for use on social media because contractors are the experts in the field. Share your knowledge on social media to build your brand and provide high-quality customer service.

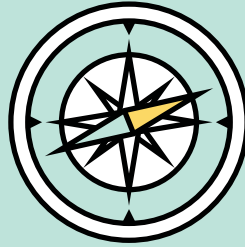
For example, take common questions customers ask most often and formulate the answers into content for social media. This adds authority and credibility to your brand and helps consumers appreciate you.

"The companies that perform the best on social media are the ones that share quality content, show personality and give their audience a window into their corporate culture," according to Lowe.

"Not surprisingly, staying in front of customers means they're more likely to think of the company when they need a product or service," Lowe added.

Remember to strongly resist the temptation to promote your services on social media, which happens all too often with contractors. Consider it like spam.

"That's not why people are logging on," Klemons said. "In order to be successful at social media, you can't approach it like salesman-



MANY CONTRACTORS ARE SITTING ON A GOLD MINE OF GOOD CONTENT, BUT THEY DON'T REALIZE IT.

ship. You have to approach it as a connection to a community to build your brand.”

Klemons recommends using an “80-20” rule, where no more than 20 percent of your content is about your company and 80 percent is about what the audience would like to see.

Build trust

We are all aware of how emotions can trigger our own buying decisions. Many consumers, including in business-to-business environments, mull over relationships with businesses from a cynical perspective, with very little trust established.

When you go to a car dealer to shop for a car or truck, you likely have some reservations as to whether or not the salesperson is being totally up front with you. That’s because no trust has been established. This could be entirely different if the salesperson happened to be someone you saw providing honest, free advice at a recent seminar on car buying.

Social media can allow you to go out there and be the resource to the person that might one day want to buy a car, or in your case, use your construction services.

Seek to build authentic connections through interactions, however. Just like in our own lives, social media needs to be transparent. When you’re not authentic, the audience will see right through you.

Don’t relegate all social media to the young person on staff or to the person who has the time, Lowe advised.

“Entrust someone with the company’s social media channels who can connect with clients on a daily basis and convey the firm’s values,” Lowe said. “A social media manager should be the brand’s finest ambassador, a communications guru, the company’s part-time cheerleader and full-time customer service representative all rolled into one.”

It is also advisable to get as many members of your management team involved as possible, including the CEO. eMarketer reports that more than 75 percent of buyers said they would purchase from a company whose CEO is on social media.

Listen and Engage

Social media is a great way to build your brand, but it is also a great way to protect your brand through listening and engaging. Listening on social media is as important as sharing content.

If somebody is saying something good or bad about you, you want to know about it. It would be akin to somebody calling you at

your business and you ignoring the phone call or the phone message. It’s a customer service issue.

Listening includes monitoring your social media handles/accounts and searching keywords related to your services. Show you’re out there and ready to be accountable. Diffuse any negative PR with quick action and commitment to remedy the situation.

“If somebody says something nice about you, when you came out and built a project and they love it and they go out and share something on Facebook, don’t just like it,” Klemons said. “Say, ‘We’re so glad you love it. As much as we’re so proud of that work, we’re so glad you love it, but better yet, shared (it).’ That was a testimonial somebody just created for you. Content from your audience is great content.

“Doesn’t matter how great that new project is, how great that new team is ... if you don’t post it on social, it’s like it didn’t happen,” Klemons quipped.

Of course, this isn’t the reality for all generations, but if you’re not on social media, how are you going to know if customers are complaining about you? Customer complaints are a gift

because these opportunities can often turn into great testimonials when customers are handled with care.

It should not always be about you. Value doesn’t always have to

be industry related. It could be of entertainment value. Follow your customers and promote their activities and accomplishments.

When it comes to that 20 percent about your company, make sure you show your company personality, including your involvement with community and charity, which people love to see. Ask questions, take polls, share pictures, and videos that tell stories about what’s happening in your world.

Posts about products and services are important, but posts about the people behind those products and services are invaluable. Creating content is about finding the story that’s in your day-to-day life.

Conclusion

Engaging in social media provides companies an opportunity to build brand equity without having to do expensive marketing. Perhaps more importantly, it’s necessary to build and protect your brand.

“Not having an online presence threatens a company’s credibility, visibility and future growth,” said Lowe.

It’s time for contractors to take social media seriously. [ABC](#)

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WHEN YOU’RE NOT AUTHENTIC,
THE AUDIENCE WILL SEE RIGHT
THROUGH YOU.

SUCCESS

PLANNING

WHY IT'S ESSENTIAL FOR YOUR BUSINESS

*By Matthew Pletzer —
Founder, Lift Consulting*

Call it being fortunate or unfortunate, I grew up in a family of entrepreneurs.

My grandfather, Leonard, owned Pletzer Insurance Agency in Spring Green. My other grandfather, Shelton, owned Shelton's Bar and Restaurant in Cross Plains. My father, Gene, owned Gene's Professional Hair Care in Madison.

Entrepreneurship is in my blood and I've seen my share of transition from one generation to the other. In the case of my grandfather Leonard, he was fortunate to have his daughter Judy working for him. When it came time for him to retire, his succession plan was already in place: Judy. Grandpa worked out a fair deal for Judy that would allow his legacy to live on while providing income for he and my grandmother throughout their retirement. Today, Pletzer Insurance is in its third generation with my cousin Chad Price at the helm. Pletzer Insurance Agency is an example of good succession planning in play.

Unfortunately, our other two experiences did not go as well.

OFTEN, FOR BUSINESS OWNERS WHO LITERALLY GREW UP IN THEIR BUSINESS, IT CAN BE A CHALLENGE TO SEE THE TREES THROUGH THE FOREST.

SION

My grandfather Shelton was diagnosed with ALS and was forced to sell his business to his four sons. During its hay day, Shelton's was the place to be. Friday night fish fries were standing-room only. Unfortunately, my grandfather's time came far too early and he was not able to enjoy the retirement he always dreamed of. He was fortunate to have children who worked at the restaurant for many years and were poised to take over. The restaurant survived for quite a few years later, but eventually went under when the brothers disbanded. Shelton's lasted 49 years. It was a sad day when it closed.

HOW CAN WE ENSURE THE COMPANIES THAT HAVE WORKED SO HARD TO BUILD DO NOT FALL VICTIM TO THE "GLUE EFFECT" AND THE ECONOMY?

In my father's case, he ran a very successful hair replacement business for over 34 years. Dad was the lifeblood of the business. Although he had four other stylists, the business and reputation was clearly built on him. Heck, his name was the business' name.

My father tried many times to entice me and my sisters to join the business, but we did not share his passion for the business. So, my father continued on, building the business without our involvement until the worst day of my life, when I found out he was diagnosed

with pancreatic cancer. With his diagnosis came a prognosis to live no more than six to 12 months. Fortunately, my father beat the odds, but not by much. On March 3, 2013, my father passed away surrounded by family.

In passing, my father left us with quite a mess to manage. We had a business with long-standing employees but no one to manage the day-to-day operations. Our assistant who ran the operations in his absence quit the month before my father's death. Needless to say, it was a trying time for my family. I was traveling for work three days a week, my mother was in no state to manage the business, and my two sisters were too busy with their growing families to take it over. We were left with no option but to close or sell.

Fortunately for us, we found a suitable buyer and were able to sell the business and property. Unfortunately, we were forced to sell what was supposed to be a long-term annuity for our family – the building. Without the building, the valuation for the business just wasn't there to attract the right buyers.

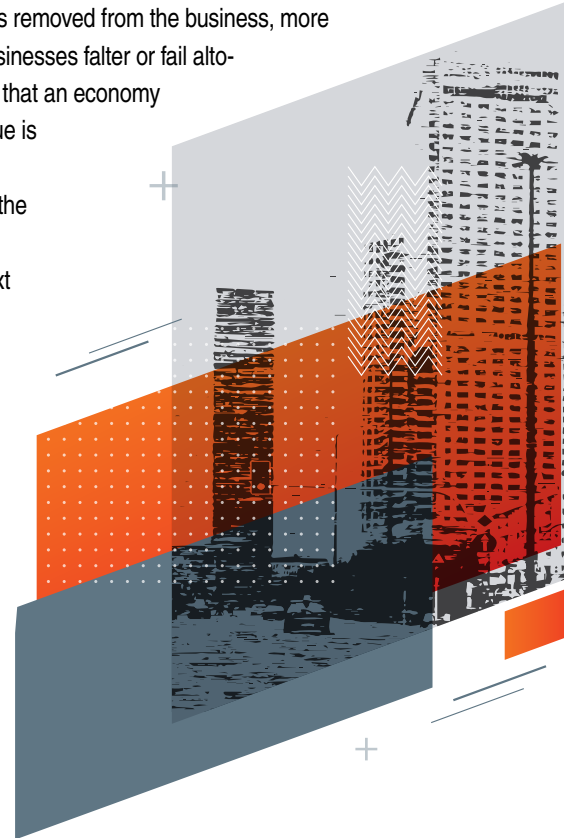
These experiences fueled a passion in me to ensure this story doesn't repeat itself for our clients. In our case with Gene's, things could have been much worse. That said, we have found the stakes are much higher for our clients.

In our experience, we have seen closely held family businesses are often the focal point of the family. They are the glue that holds the family together. In my father's case, he said he was "married to his business"; he even wore a ring that said "Gene's Professional Hair Care" on his ring finger to prove it. If that glue is not carefully peeled away from the family, the trauma that it provides through the separation can be unrepairable. Our goal is to ensure that doesn't happen.

My grandparents', uncles' and father's stories are very similar to those in the construction industry. Many construction organizations are multi-generational – built off the reputation of the family and the quality of the work provided. Unfortunately, as in our case, as the glue (the family) is removed from the business, more often than not the businesses falter or fail altogether. Add on top of that an economy that many would argue is primed for another economic downturn, the odds of a successful succession to the next generation of owners only becomes more challenging.

So, the question is ... what do we do about it? How can we ensure the companies that we have worked so hard to build do not fall victim to the "glue effect" and the economy?

Just like a doctor, we believe prescription without diagnosis is malpractice. Often, for business owners who literally grew up in their business, it can be a challenge to see the trees through the forest. To clear up the picture, we would recommend having a third party evaluate your organization to provide



an objective diagnostic as to how your business ranks for potential succession: At Risk, Average, Well-Maintained or Excellent.

There are several key elements that we would recommend consideration for evaluation:

- 1) Your People
- 2) Your Processes
- 3) Your Performance Metrics
- 4) Your Team's Passion
- 5) Your Positions

A good third-party organization should have experience conducting assessments through staff interviews, utilizing assessment tools such as DiSC™, Devine, Strengths Finders, 360-analysis, etc.; conducting market research through in-depth interviews, surveys, focus groups, etc.

Once you have a good evaluation and assessment of the current status of your team, your organization and your processes, it will empower you to have a clear understanding of where your gaps are and what you need to do to overcome them.

From our experience, the gaps typically fall into a handful of categories. Below are a few of the more prominent ones we see:

- 1) Not having the right team in place
- 2) No documented procedures and processes
- 3) Stale marketing/sales strategy
- 4) Outdated technology

Let's dive into greater detail.

Not having the right team in place

We have found that family-based businesses' strengths and weaknesses often lie within the name "family." They typically involve family and/or treat their employees like family. At times, this can

mean being too lax on roles and responsibilities or not having clear roles and responsibilities at all. It can also lead to taking for granted the developmental needs of the staff. Over time, a compounding effect can occur here, and when it comes time to sell, it can often be too late. A loss of a key stakeholder such as the primary owner – even if family continues to be involved – can be far too large of a gap for the family to address in such a short period of time. Proactive training can be a key to success. All too often, organizations promote people and then train them. This immediately sets them up for failure. The more proactive your organization can be with training, the more empowered your people will be when and if a succession plan is put into place.

No documented processes or procedures

Many closely held businesses are built upon the backs of one or two individuals being the face of the company. We find they often lead the sales efforts of the organization as well. Over time, one becomes more comfortable with selling in their own way and success continues to grow. Once that person is gone, however, it's rare that the processes that the person relied upon are documented in a fashion that others can pick up right where they were left. This forces the new "owners" or successors to recreate the wheel. In doing so, sales typically slow and performance lacks. Organizations should take the time to document their processes and procedures whether it be accounting, sales, billing, project management, etc. before they are put in a position where they are forced to do so. This is working "on the business," not "in the business." In a time of need, it can be difficult to pull the business owner away from their day-to-day activities to do so, but it can be one of the most profitable activities when preparing an organization for a transition.

Stale marketing/sales strategy

Reputation and referrals are often the keys to success in the construction industry. People refer to people they like, people like people like themselves, therefore people buy from people like themselves. If an organization is built off of a "personality" such as my father's business, when that personality is removed, the referrals often dry up, as does the business. To hedge this off, we recommend a slow transition away from the "personal brand" to the "professional brand." This is where processes and procedures should be sold, rather than personality. As with anything, however, this transition can take some time and isn't something that should be done overnight. It should be carefully plotted, much like the moves in a chess match.

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Outdated technology

Gone are the days of carbon copies and Excel spreadsheets. Now are the days of integrated CRMs and ERPs. Many business owners become comfortable with their practices and believe, "If it's not broke, don't fix it." The challenge with this is that it typically leaves a potential successor or suitor for your business without accurate records, confusion and potential loss of operational efficiency. If you don't want to be tied to your business through the sale with an employment contract and you want to walk away free and clear, you owe it to yourself and your employees to get with the times, regardless of the pain required to do so. The more your business can run without you, the higher the valuation you will have. If you are like my father, there is a good chance that you are a "control freak" and don't necessarily want to have your business run without you. You thrive upon your team's need of your approval and bask in the attention it provides you. Although attention is great when you're working, if you want to retire, you'll need to deal with losing the attention anyways. So why not adopt some technology that allows the business to run without you now, so you can reap the rewards later?

As you go through this list, you may be feeling the weight of the world on your shoulders. As a fellow business owner, I know I do as I write this. I'm in a position where my business has time, and since we consult on these practices, we feel that we are in a better position than most. Not everyone has that luxury though.

You may be asking yourself, "How soon do I need to start working on all of this before I want to sell or transition?" The answer is now. It may be too late, but it can never be too early. In the case of my father and grandfather, it was too late. They didn't get to enjoy the spoils of their lifetime efforts and achievements, and unfortunately, due to their lack of forethought, their families did not get to enjoy them nearly as much as they should have, either.

According to Generation Equity, there are over 12 million baby boomers who own a business and more than 70 percent of them are looking to retire over the next few decades. This is only going to increase competitiveness in the marketplace. Those that take the time to prepare their business for succession now will reap the rewards later. The question is, which side of the coin do you want to be on? 



Matthew Pletzer is the Founder of Lift Consulting, LLC, a certified Sandler Training facility. Lift Consulting, LLC works with organizations in four key areas: sales and leadership training, sales recruiting, structure and strategy development. Matthew is one of ABC's highest rated speakers and has presented at SuperCon for the last three years.

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IMPROVING CONTRACTOR PERFORMANCE (AND PROFITS)

By David Buslee — Clarity Management, LLC

Measure twice, cut once

The most unused tool for most contractors is their accounting system. There are few tools that can help either make more money – or help you to lose it all – than the accounting system. You use it to help improve your company's performance and cash flow.

A 2016 study by Dodger Data and Analytics concluded that high-performing contractors – those who complete 25 percent or more of projects ahead of schedule and 50 percent or more under budget – have practices that directly impact people and processes: 1. They tie employee incentives to project performance and have clearly defined job roles. 2. Their processes include frequent measurement of project performance and use technology and project management systems.

In order to tie incentives to project performance, you have to be able to measure project performance. And to keep the project on track, both in schedule and costs, you have to make those measurements frequently.

Garbage in, garbage out

Unfortunately, many smaller contractors and subcontractors try to keep track of projects manually or in their head. Their basis for the estimates in their contract bids are built on rules of thumb that may be decades old. Many contractors with annual billings below \$5 million have accounting systems set up improperly or maintained improperly so that results at a project end, or at year end, are a surprise.

First: Do you document your estimates? If you are a drywall company, how many sheets EXACTLY did you calculate for your bid? Electricians, did you document each switch, fixture, junction box and cable run in your bid? If not, why not? Do you have up-to-date costs in your estimating system such that if you issued a PO from your estimate there would be no cost discrepancies? If not, why not?

Well-run contractors know exactly what was in their bid, part by part, and they have entered the estimate information into their ERP to track costs to their project.

Second: Do you post your costs properly into your ERP system? Do you do it according to the way the system was designed? When

listing the 10 most common mistakes when using Quickbooks Contractors Edition, the #5 reason why contractors can't manage their costs properly is failing to use the built-in estimate function or using an estimating program that interfaces with Quickbooks. The #2 reason is entering job costs incorrectly. The #1 reason: outsourcing your payroll. The built-in functionality of Quickbooks payroll enables your in-house accountant to track the labor time to each project. If you don't know where the labor is being costed to, how do you know if you made money on the project?

Third: Billing and receiving payments incorrectly. I have worked with contractors who fail to inform their accounting departments of change orders, so payments get misapplied. Change orders get misbilled as a result, leaving money on the table. Or worse yet, the site supervisor for the sub-contractor fails to get written approval of the change order before the work begins, leaving the additional costs subject to dispute at the end of the project.

Opportunity usually comes disguised as hard work

Fortunately, there is plenty of opportunity to improve performance.

1. Improve your estimating process. Tie your component costs to price lists from your vendors. If you have budgeted your company's performance, negotiate discounts or rebates based on volumes you expect to reach. Why are rebates better than discounts? The invoices for materials used on the job are billed at full price, so markup is at a higher base. Discounts are rarely based on the performance of a single job, but instead on the volume that you purchase over time, so they help the overall bottom line. The key here is having a meaningful budget process and a detailed estimating process to help in negotiating rebates.

2. Use your project management software properly. Whether it is QuickBooks or something with more bells and whistles, you need to make sure that the staff using it have been trained in how to set it up and how to keep it fed properly. It may look like it's easy to start using, but even QuickBooks needs to be set up properly for your operation. Managing estimates, generating progress reports and scheduling jobs are not "learn as you go" if you plan on using the data to make good decisions.

3. **Listen to staff.** Your staff must be able to tell you when processes aren't being followed. They need to be able to hold YOU accountable. Sadly, it is often the owner who "leads by example" in rule-breaking.

4. **Establish your performance metrics and review progress frequently.** When we say "metrics," we mean objective numerical measurements. If they aren't objective, they aren't meaningful because they will be more emotional than actionable. Each construction division has their own metrics that apply. Use them.

When we say "frequently," it depends on what you do. If you are involved in a long-term project that spans many months, you should review the project and your team's metrics at least once a week. If your work – e.g. painting the entire interior of a new building – takes a week to complete, then daily reviews are important to organizing your efforts and measuring results.

How many metrics? The fewer, the better. People get bogged down in trying to have too many. Three to five is the most anyone can really handle. They need to be easy to obtain. The longer it takes to generate them, the less meaningful they are. That is why integrating workers time reporting into a system that allows you to monitor it frequently takes the guesswork out of productivity measures.

5. **Finally, Improve your communication and training.** Every time you acquire a new tool, you should train on the tool to best use

it. Software is no different. Training your accounting staff to better use the accounting system and listening to them about the issues they have with obtaining the necessary information is important to improving accuracy and building morale. The people tracking how well you are using your funds often feel like the redheaded stepchild.

Numbers don't lie

Improving the performance of your construction company in 2019 isn't black magic. It just comes down to the numbers. Improving the accuracy of your estimation process will eliminate the "gotchas" that cost you time and materials when the project is active. Improving the reporting of project progress will enable you to fix problems before they get out of control, hold managers responsible, and achieve improved on-time, under-budget performance.

Improving your communication and training will improve morale while improving your financial and project reporting. At year end, you will be rewarded with higher revenues, profits and cash flow. 📈

David Buslee is a Partner with Clarity Management LLC. Clarity helps business owners to improve their profitability and cash flow, eliminating persistent problems to performance. Clarity Management is also a leader in helping business owners to plan and execute their exit strategies so that they can enjoy their retirement while the business continues to operate.



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