

Part 1

DOES YOUR COMPANY NEED A “TUNE-UP”?

10 Reasons Why Contractors Fail!

We spend a lot of time maintaining the trucks, loaders, mowers, trimmers, and blowers that we purchase. However, many contractors do not see the need to perform “preventive maintenance” on their business operations. In these times of uncertainty, I am seeing more and more business, struggling to keep their “**bottom line**” in the black. In most situations it has nothing to do with quality of the product or service that the company offers to its clients. Most contractors that I work with are excellent craftsmen.

The problems that many business owners are faced with are not derived from the lack of work and backlog. The majority of the contractors that I work with have more work than they can handle.

Watching a business die is never easy, if for no other reason that it can happen in so many different ways. And, no matter what the cause, it’s never funny. Here, in the hope that a bit of foreknowledge may make a dent in the death rate, are 10 of the most popular reasons contracting businesses fail:

1. **UNDERCAPITALIZATION.** Money’s not only the root of all evil; it may well be the leading cause of business failures among contractors. Far too many contractors underestimate how much money they are going to need, not merely to get the business up and running, but also to sustain it as it struggles to gain a commercial foothold. Once you start out undercapitalized, that can start a downward spiral from which you can never catch up.
2. **BAD CASH FLOW.** This is the macabre cousin to inadequate capital. Even businesses that move past the embryonic stage often collapse when incoming cash doesn’t at least offset expenses and other costs. Watch your cash “burn rate” by not falling into the trap of confusing cash receipts, or a positive cash flow, with excess cash. Once you spend it you cannot get it back. Understand the importance of monthly budgets and cash flow projections. They are great tools that will help you manage your business. When it comes down to it, cash is what really counts.
3. **INADEQUATE PLANNING.** Not surprisingly, this is the reason problems like undercapitalization and bad cash flow happen in the first place. It’s critical that you

map out as comprehensive a business plan as possible, covering financial issues, marketing, operations, growth and an array of other elements. Granted, it can be time consuming, as a well-prepared plan can take weeks or months to complete. That's the time to find out an idea may not work. If you don't plan and still go ahead, you may end up with heartache and thousands of dollars down the drain.

4. **A COMPETITIVE EDGE.** Genuinely unique ideas are as rare as honest CEOs these days, but it's still critical that your business gain a toehold in some sort of singular niche that you can exploit. Be it a slightly different service or customer support that goes beyond your competitors; earmark that one element that sets your business apart. Too many contractors are simply "me too" operations. Make sure something is unique or different.
5. **MUSHY MARKETING.** Your mother knows your special, but what about your prospective and current customers? It essential to develop a marketing strategy not merely to identify who might buy from you, but why. Make certain your marketing strategy sets you apart so a customer can clearly see why they would rather work with your company than a competitor.
6. **INADEQUATE FLEXIBILITY.** From stacks of cash to battalions of seasoned employees, every small-business owner knows the advantages a larger competitor brings to the game. Well, one thing they can't necessarily do is turn on a dime, something smaller companies can exploit. Never forget to remain flexible. If a service isn't quite right or a marketing campaign isn't really flying, don't be afraid to tinker. Making those sort of in-course adjustments is much more unwieldy for the big guys.
7. **IGNORING THE NEXT STEP.** Make sure you and your people emphasize complete customer support, from doing things you don't have to offering thoughtful, useful advice that goes beyond the ordinary. Make sure that all members of your staff focus on quality, service, responsiveness, and value. All members of your staff need to be focused on operating in a proactive manner. This mindset often gets lost in the hustle and bustle of your day-to-day activities. However, it is essential for the growth and continued success of your business.
8. **FORGETTING THERE'S NO "S" ON YOUR CHEST.** Entrepreneurs are a smart, resourceful bunch, but running a small business carries its share of hidden kryptonite. Don't try to be all things to your business. If you cringe at the thought of maintaining complete books, don't hesitate to hook up with a good bookkeeper. When a legal issue crops up, don't rely on your home-baked juris doctorate to evaluate the legal ramifications. Establish a long-term relationship with an attorney; preferably one with small-business acumen.
9. **GREAT BOSS, MEDIOCRE STAFF.** Inexperienced and unmotivated employees can often bring down a solid business with a knowledgeable,

enthusiastic owner. Make certain your employees are well trained, fairly compensated, and somehow share in the fire that burns in your belly.

10. UNCONTROLLED GROWTH. Ironic as it seems, but a small business that simply succeeds to quickly often pushes itself into an early grave. If your production fails to keep pace with demand or necessary expansion coincides with insufficient cash, the growth you dream about as an entrepreneur can actually threaten your business' very existence. Again, cover foreseeable growth in your original plan and track it adequately to make certain that it never gets dangerously out of hand.

If you feel that your company is suffering from any of these "symptoms" do not panic. In fact, it is not uncommon for a business to have these types of problems as it progresses toward its long-term goals and objectives. What is important is the ability to have a system in place to identify the various problems and take the necessary corrective action.

I have developed a simple process that allows you to take a proactive approach to help you manage your organization. I recommend that you perform a B.E.A.R., Business Evaluation And Review, on an annual basis. Conducting a B.E.A.R. is nothing more than a "preventive maintenance program" on the operations of your business.

You will be conducting a comprehensive evaluation, review, and analysis of 6 key components of your business operations & procedures. The internal audit that you will be conducting will focus on the following:

- A. Management and Administration
- B. Marketing & Sales
- C. Contract Administration
- D. Field Production
- E. Finance & Accounting

Each of the above components will be sub categorized and analyzed to determine if there are standard operating systems, procedures, and processes in place. If they exist they should be reviewed to make sure that they are meeting the needs of your organization. Where it is identified that they are lacking or non-existent, you will need to determine how they will be implemented.

The B.E.A.R should be conducted on an annual basis prior to the preparation of your annual budget and any goals that you may be setting for the upcoming year. That will give you the opportunity to take the appropriate corrective action and move forward.

The first objective of the B.E.A.R is to provide you with the information that you need to manage your business efficiently, profitably, and with confidence. Secondly, this evaluation will help create a degree of standardization within your company. Company wide standards are an integral component in maintaining quality control within your organization.

This will result in more efficiently, professionally completed jobs which directly equals greater profit not only financially for your company, but also for the client from a satisfaction standpoint. You will also benefit because employees at all levels, administrative through production, will enjoy coming to work where well defined practices, policies, and procedures clearly outline what is expected of them.

Your business needs to be monitored on a regular basis. Conducting a B.E.A.R on an annual basis is only one faucet of the monitoring process. You need to get in the habit of performing monthly operating reviews to be sure that what you projected and planned is really happening.

By grabbing control of your business and keeping it running at peak performance, you will increase your odds for long-term success and profitability. And most important, you will have a good time doing it! Remember, the “secret of getting ahead is getting started”.