

Growing out of business



Submitted by
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The construction industry is unique in many ways. One of the unusual features of a construction company is its ability to grow at virtually any rate, to almost any size. We've seen very small contractors become huge companies in a short period of time. We've also seen "shooting stars," companies that grow at a rapid rate, and then fail.

How can you build a platform for sustainable growth without getting in over your head? This is a special challenge in construction, where the amount of work you bid may have little relation to the work you actually do. One large contract can double or triple your revenues. One bad project can ruin your year.

How can you grow your business without "growing out of business?" My good friend, Mike Beldon, the chairman of Beldon Enterprises and a successful roofing contractor, says that success in construction depends on three key factors:

1. Know what you do well, and stick to it
2. Have the right-sized company

Mike has a large and well-managed organization, so he can presume another critical competency, but for most contractors, it needs to be mentioned: Measure what you manage.

How do these competencies apply to your business?

1. *Know what you do well and stick to it.*

The grass often looks greener on the other side of the fence. The subcontractor believes that the general contractor's job is easier than his, so why not be a general contractor?

The general contractor is managing subcontractors so why not just hire skilled labor and self-perform?

The residential builder decides that a commercial building is just like a house, only bigger.

A landscape contractor includes sidewalks in his scope of work, and so feels qualified to bid concrete work.

The private sector is very different from public works. Highways are not parking lots. Composite roofs are different from single ply. When you are starting out, and are personally involved in every project, you can learn on the job. When you are depending on employees to do the work, you can get into deep trouble before you know that something went wrong.

Write down what it is that your company does well. Your definition should include the type of work you do, your geographic market and a description of your target customer.

Don't seek work outside your definition unless you've previously determined how you'll generate the skills and abilities to handle it.

2. *Have the right-sized company.*

What is the "right size?" How can you decide whether your company is capable of handling the next level.

Employees are "lumpy assets." You can't hire 27 percent or 64 percent of an employee. Either they are employed, or they aren't.

Because a new employee is such a large investment, it's tempting to start a big new project and "wait and see how they handle it." If you don't have the capacity to run the job right, it's far too late to hire.

One of the good features of construction work is that you usually have a reasonable amount of time between signing a contract and actually starting the work. Use that time to plan the workflow and management. Calculate the amount of additional paperwork, reports, meetings and employees to be supervised. Put names to the responsibilities. Do those people have capacity? Equally important, do they agree that they have the capacity? If not, plan the assignment of responsibilities and define the qualifications of the new hires before starting.

Coming next month:

Avoiding the big mistake
and measuring what you manage.

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