BUILDING FOR SUCCESS

A Plan for Continued Growth in Building and Remodeling

Contents

Chapter 5

Chapter 6

Chapter 7

Epilogue

Contributors

PROLOGUE

Right now is a pivotal moment for the construction and remodeling industry. You've seen the world change drastically – almost without warning – and you've had to quickly shift business practices to adapt. But with change comes the opportunity to become smarter, more efficient and more forward-thinking in how you do business. That's what "Building for Success" is all about.

In this book, you'll discover simple ways to fine-tune your business so you're prepared to face whatever comes next. More than a dozen industry experts weighed in to provide insights on better processes, hiring practices, changing trends, technology and more – so you can make a plan to future-proof your business, even in times of volatility.

We hope you find value in this book as you continue to adapt your business to the new normal. If you'd like further info about how Pella can help with any of the topics discussed, simply reach out to your Pella rep. We're here to help. And here to ensure that you're *Building for Success.*

Chapter 1

BUILDING A STRONG TEAM

A dedicated team is possibly the most critical element to your firm's success because your crew's reliability, productivity and commitment will influence your timeline and your end product – and therefore, your profitability. In this chapter, we provide steps to help ensure you attain a strong team through the hiring process, maintain a strong team with training and education, and retain a strong team through smart motivation techniques.

Attaining a Strong Team

Assembling a strong team starts at the very beginning – the hiring process. While trade experience can be invaluable, it shouldn't necessarily be considered a prerequisite. Carpentry skills can be learned, but the most essential characteristics of productive crew members are typically instinctive.

Jason Mollak, president of JPM Construction, recommends hiring by using behavioral-based questions that give insight into a candidate's work ethic and personality.

“I used to hire primarily based on experience, but some of those people weren’t a great fit because they were already set in their ways. My first step is to send a candidate a series of behavioral- or choice-based questions that give me insight into how they think, how they work and what they’re looking for in the position,” Mollak said.

Whether you take the approach of a questionnaire or an in-person interview for your first step in hiring, look for the following most critical soft skills before adding to your crew:

Work ethic.

While work ethic is truly proven on the jobsite, it’s recommended you get a sense of a potential employee’s principles before you extend an offer. Even if they don’t have previous trade experience, a candidate’s former employers are great references for what to expect from them. You can also gauge a person’s motivation in their interview by asking for specific behavioral examples.

— Questions to Ask —

Could you describe a time when you did something that wasn’t your responsibility simply because it needed to get done?

You’ll get great insight into a candidate’s willingness to go beyond with this question. It sheds light not only on their work ethic but also on how well they work with a team.

Tell me about a time you felt overwhelmed.
What did you do to handle it?
This will help you determine how they stay motivated under pressure.

What does hard work look like to you?
Understanding their work philosophy will give you insight into how they actually work.

Culture fit.

Have you ever met someone and just clicked? Chances are you'd work well together. Personality might be the most important factor in determining how well a person will fit your team's culture, and you can learn a lot by a simple conversation. It's often clear if a person has a good attitude or a sense of humor, but some people feel more comfortable revealing their personalities in interviews than others.

It's worth taking time to dig a little deeper to discover how well you and the rest of your crew will get along with a new teammate. Asking questions like these can help expose personality traits you do or don't want to work with.

– Questions to Ask –

What motivates you?
This broad question will give you insight into whether a candidate will be motivated by the work and culture your business provides.

How do you like to be managed?

This tells you if they're compatible with your management style.

What do you like least about your current job and why?

A peek into whether a candidate has a negative or positive attitude is very valuable. It helps raise any flags if they dislike some of the key elements of the role or work environment.

Client consideration.

Interacting with homeowners may not be the first responsibility prospects think of when they approach you for a job, but it's an integral part of maintaining your reputation.

"We work in a lot of high-end homes, so I base my questions more toward how they would treat customers in certain situations. I want to make sure my hires aren't going to be on edge in high-pressure situations and will show our clients respect," Mollak said.

— Questions to Ask —

How would you ensure a homeowner's property isn't damaged during work?

You want to make sure you're hiring a crew that respects the client and their concerns.

What do you do to maintain your composure under high-pressure situations?

This will help you feel confident that the candidate can work directly with clients.

Communication habits.

Every day, your crew members must navigate harsh physical conditions and tight deadlines while adhering to strict codes and regulations. To make sure projects go as planned under these pressures, clear and constant communication is key. Look for employees who value collaboration and camaraderie as they work toward mutual goals.

– Questions to Ask –

How do you explain a complex situation or process to someone who needs help?

Working through complicated projects is a major part of the job and requires constant collaboration, so you'll want to make sure your candidate is up for the task.

How do you build a rapport with co-workers?

You definitely want an employee who makes relationships with those around them a priority.

Could you describe your communication style?

Find out if their style complements others on your team. Are they straightforward or gentle? Sarcastic or sincere? It's good to have diverse perspectives among the members of your team.

Diversity.

Speaking to diverse populations is critical in hiring. In fact, hiring a team made up of different ages, genders, ethnicities, sexual orientations and skill sets has been proven to make your business stronger and more profitable. Many contractors primarily use word of mouth to attract new workers, which will often result in hiring people who are a lot like them. Consider going outside your comfort zone and posting jobs in places that will reach more diverse audiences. Social media platforms can be used as an authentic way of communicating your company values and passion for hiring diverse talent.

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When companies foster a more inclusive work environment, 83% of millennials are found to be actively engaged in their work.

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"We have built a strong culture within our company that we like to share on social media," Mollak said. "It's gotten to the point where people will approach us asking if there are positions open. When it gets time to hire, we already have a pool of candidates to reach out to."

Hiring diverse employees requires responsibility on your part to make sure everyone feels welcome and is set up for success.

Incorporating diversity training and creating a culture of inclusion will help your team work together better and allow you to benefit from diverse perspectives. Plus, when companies foster a more inclusive work environment, 83% of millennials are found to be actively engaged in their work.[1] As millennials become the majority of the workforce, cultures that foster diversity will become much more successful in recruiting.

How Diversity Can Improve Your Bottom Line[2]

Racially and ethnically diverse companies are **35%** more likely to perform better.[3]

Gender-diverse companies are **15%** more likely to have higher performance.[3]

Diverse companies are **70%** more likely to capture new markets.[4]

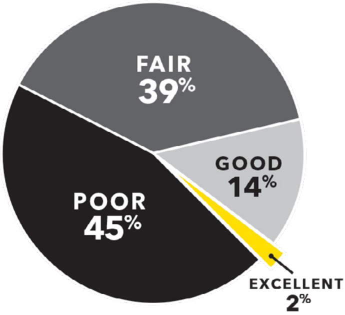
Inclusive company cultures lend to millennials being **more engaged** with their work.[1]

Set your company apart.

In our tight labor market, companies that set themselves apart attract the best workers. Consider what sets your business apart, and promote those advantages when you recruit. Use job posts to advertise your healthy compensation and benefits package, company culture, commitment to diversity or community involvement. The job market is competitive, and demonstrating why your business is a place where people want to work is more critical than ever.

Maintaining a Strong Team

Whether you need to comply with regulations or you're simply looking to increase productivity, training is an essential component of a successful team. While training requires an investment in time and resources, it will pay off in the long run in terms of employee morale and efficiency – and ultimately benefit your bottom line. Take these high-level steps as you implement your training plan.



Finding skilled workers is a challenge for most contractors, which means training programs are more important than ever.
How contractors rate the availability of local talent who is trained or well-skilled.[3]

Implement a comprehensive onboarding process.

Hiring is very expensive if the person doesn't work out. It's worth investing in their onboarding to increase the chances that they will stick around and be a valuable employee. Take a look at your new employee orientation, and see if there are opportunities to get workers acclimated quickly and comfortably. Providing them with a simple employee manual is a good start. Be sure to cover off on benefits, policies, expectations, PTO and other HR-related topics. Pairing them with a mentor is another way to help them feel welcome, and it gives them another resource for questions or concerns.

Another good practice is to have a 30-/60-/90-day check-in after an employee is hired. Beyond that, you should review employees at least once or twice each year. During their reviews, encourage some back and forth. Give them an opportunity to reflect on how it's been going, and ask them about their needs and goals for the future. Be sure to come to employee reviews prepared, thinking about their strengths and opportunities in advance so you can have a productive conversation. Documenting reviews for future meetings will help you recognize areas they need to work on and opportunities they may have to advance. Your employees will appreciate your investment in helping them develop as trade professionals.

Plan for team and individual training needs.

The construction industry is constantly evolving, so you'll want to regularly get your team up to speed. For example, your entire crew will need to stay current on compliance training. Keep your pulse on what is required from the government, OSHA and insurance companies, and make sure every crew member is up to date. For noncompliance training, like installation techniques or equipment operation, assess your needs at an individual level and make an education plan for each employee that covers both essential skills and career development.

Determine training resources.

Education comes in many forms, including on-the-job training, e-learning and individual mentorship. Which approach you take depends on time and proximity constraints, but a good mix of resources is important to consider. On-the-job training is quite effective for essential skills because workers can put knowledge into practice immediately after a demonstration.

“I’ll let new guys master one thing before moving on to something new,” said Mollak. “For example, I’ll have them practice certain cuts for hours, messing it up a hundred times before they get it right. I want them to learn our methods, but I also want them to figure out what feels right to them.”

Developmental and leadership training, however, could benefit from e-learning sources like Construct-Ed, where workers can get education on more specialized topics like estimating and bidding, leadership, and design. Training can often be streamed directly to jobsites so employees can access reference tools in real time.

Track training results.

While it’s likely that a more educated workforce will have positive results on your bottom line, you’ll get more immediate outcomes when you measure what kind of training is most effective. Regularly assess your training program to see how different demos and courses affect your team’s productivity, individuals’ development and your return on investment. Adjust your program based on courses that provide the best results — and that make sense for your business and your employees. Since the industry is constantly changing, your curriculum should, too.

Ask for feedback.

As you implement your plan, you'll want to gauge how training affects employees' morale. The only way to do that is to ask them. Investigate what knowledge and skills they wish to attain and which ones they appreciate most on the jobsite. Empowering workers to influence their development can also motivate them to work smarter and more efficiently while finding satisfaction in their roles.

Retaining a Strong Team

Once you have a strong, knowledgeable team in place, it's critical that you retain it. Education and training play a major role, but don't underestimate the importance of relationships and incentives. A team that's confident in your business and trusts that you have their best interests in mind is bound to be more productive. Check out these simple tips to keep your employees happy, motivated and loyal.

Team building.

When some people hear "team building," they think of cheesy activities like trust falls or scavenger hunts. The truth is, effective team building isn't achieved in an afternoon. It requires a long-term commitment and genuine effort. That can mean small tokens of appreciation, like recognizing top performers in front of the crew or larger planned events, like a sporting event. Also consider hosting crew members and their families for a company gathering or working together on a community fundraiser. Providing opportunities for crew members to get to know each other outside of work can improve jobsite collaboration and trust.

Financial incentives.

It's true that money doesn't buy happiness. But it can help. Whether we like it or not, financial incentives often make employees feel appreciated. Rewarding hard work and loyalty is an effective motivator that benefits everyone, no matter how big your budget. You can encourage your team with financial incentives of all sizes.

1. Competitive wages.

Paying your crew a living wage isn't just ethical, it's beneficial for your business. When you ensure that your team can survive and thrive on the money you pay them, they are more likely to work hard and stay loyal. Plus, it will help you recruit hard-working new hires.

2. 401(k) match.

This shows that you're committed to your employees and their future, which can play a huge role in employee retention and recruitment. When prospects know you're invested in your employees, they're more likely to consider working for you. And they're more likely to stick around if they're hired.

3. Completion bonus programs.

Providing bonuses for jobs finished ahead of schedule can be a valuable way to motivate workers. However, bonus programs must be clear, consistent and in writing to implement them effectively. Consider a bonus schedule every month to three months, depending on how long your jobs typically last. Also, make the bonus based on the crew's overall performance to encourage strong teamwork every step of the way.

4. Recruitment bonuses.

The best way to find new reliable workers is through existing reliable workers. Encourage your crew members to help you recruit people they already know and trust by offering a cash bonus for successful hires. The extra investment will pay off in time saved and productivity gained.

5. Special rewards and events.

If you don't have the capacity for a bonus program, there are simpler ways to incentivize your crew. Rewards such as gift cards or catered lunches for a job well done don't require a major investment, but they can get a big return in terms of morale. Even small gestures, like verbally recognizing a job well done, can give the team a boost. However, be sure to be fair and consistent with praise so it doesn't lead to an atmosphere of nepotism or neglect. Rewarding hard work is an effective motivator, no matter how big the size of the prize.

Evaluate your business regularly.

Qualified workers want to work for an employer who identifies concerns and opportunities and takes action to address them. Anonymous employee surveys can give you a good starting place. Performing a simple SWOT analysis a few times a year encourages you to take a good look in the mirror and identify what you're doing well and what you could do better. Consider conducting a SWOT with your entire team during a company meeting or retreat. There's no better way to help build investment in the future than to involve the entire team in your company's vision.

S – Strengths

What do customers compliment you on? Why do employees like working for you? What would you consider your company's expertise?

W – Weaknesses

What factors limit your success? What customer or employee concerns have you heard more than once? Which skills or processes does your team need to improve?

O – Opportunities

What trends can you get ahead of to gain an advantage in the market? Which partnerships can you lean into? Which employees would benefit from leadership training?

T – Threats

What labor or material shortages could cause problems? Which competitors are doing something really well – and what are they doing? What economic or social factors could cause your business to change course?

While it can seem uncomfortable at first, giving your business consistent, honest reviews is the best way to recognize how you can improve. Your employees, your customers and your bottom line will thank you for it.

Whether you work with full-time employees or rely primarily on subcontractors, trusting relationships are key to attaining, maintaining and retaining a strong team. Work to build your relationships every day, on- and off-site, and you'll see your efforts pay off in terms of productivity – and profitability.

Sources

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4 Harvard Business Review, "How Diversity Can Drive Innovation." Sylvia Ann Hewlett , Melinda Marshall and Laura Sherbin, 2013."

Chapter 2

KEEPING PROJECTS ON SCHEDULE AND ON BUDGET

Every construction job is like a puzzle. There are countless pieces that must fall into place for a project to be completed successfully — and how long it takes and costs can vary. Circumstances like material availability and weather delays can significantly impact a job's completion date. And juggling subcontractors and chasing missing specifications don't make your job any easier.

"Projects that are not well developed and specified from the start can experience extreme budget and time increases," said Mel Baiser, partner at Helm Construction Solutions. "Delays in schedule and budget overruns lead to unhappy clients, which can really hurt your reputation."

However, the most efficient projects all have three things in common: organization, communication and preparation. The following tips can help you incorporate these three practices into your projects, allowing you to create clear timelines and accurately estimate projects in the future.

Common reasons projects get off track.

1. Incomplete design details and specifications
2. Labor shortages
3. Subcontractor scheduling conflicts
4. Communication failures and lack of timely client decisions
5. Weather

Create a detailed plan.

"Developing a detailed schedule is a critical step toward setting a project up for success," Baiser said. "Identifying necessary client decisions, material ordering and lead times, in addition to the construction sequence, will enable your team to stay ahead of critical actions."

Start by making a list of every consideration that will affect your project's timetable. Outline when you'll need heavy equipment and when you'll need materials delivered. Arrange a site check to evaluate power, water, gas and sewer lines. When you schedule subcontractors, allow time for unforeseen events, like weather delays, so you can stay on track even when a wrench is thrown into your plan.

“I schedule projects four to five months out so I can block out time for that project and see where our scopes fall on the calendar. Once we get a little closer and we have contracts in place, the scopes of work specified, that’s when we start to plan our process and installs,” said Jason Mollak, president of JPM Construction. “Planning for when materials need to be on-site is huge. The only way we can make sure our teams are able to complete the tasks is if they have everything they need.”Fred Rhodes, director of operations for a prominent custom builder, recognizes the importance of nailing down customer decisions as early as possible. Having them choose materials and finishes early helps you control ordering and work with more certain plans.

“We focus on eliminating variables as much and as early as we can. We try to front-end all our information with the client before we start construction so we can work smoothly with as few delays as possible,” he said. “Preparation and consistency have helped us become very tight with our bidding, which gives us a competitive advantage.”

Collaborate with architects.

Alan Pickett, director of architectural business development at Pella, notes that it’s critical to connect with architects early in the planning phase.

“Working together early helps builders understand the architect’s design vision and helps architects understand the overall goals of the project,” Pickett said. “When everyone understands each other’s objectives and restrictions, they collaborate to make plans easier and perhaps even save the customer money.”

Pickett says that when architects and builders work together on a plan, they can strike the balance between aesthetic and functional needs. He also recommends bringing in supplier resources, like Pella Architectural Solutions, to help guide decision making regarding what products would meet the requirements of all parties.

"It's very important to form a united front between the builder and the architect. That's where Pella Architectural Solutions comes in. It's much easier to work through obstacles at the beginning and bring everybody along to find the solution than to have that feeling of compromise on the architect's endpoint or the feeling of that was a lot of extra work for nothing from the contractor's standpoint. We work with both teams to come up with products and installation techniques that are executable and meet all of the goals of the project," Pickett said.

Implement estimating and project management software.
Technology has been increasingly prevalent in the construction industry, and it will continue to play a major role in design, estimating and project management as millennials step into leadership positions.

"Embracing software helps improve and streamline your processes. It helps encourage your team to follow a series of repeatable steps, which will help them learn your systems faster," Baiser said. "Of course, software can't do all the work for you. You still need professionals with estimating, scheduling and project management skills to navigate it successfully."

Plans are much more useful when they're organized and easily accessible. Project management software allows you to avoid the pitfalls of having information stuck on a hard drive at the office or scattered around with different people. Having a hub for information enables faster, more organized communication — and therefore, faster, more organized projects.

Look for software that allows you to catalog photos and notes, track materials and costs, submit time, monitor daily production, perform accurate forecasts, and track subcontractor performance. The ability to input and review critical information in the field is an invaluable way to save time and keep costs under control.

Taking the leap toward purchasing a software is step one. To get a return on your investment, you need to devote the time and resources to training your team.

"Build dedicated time into your work plan for onboarding software, focusing on one aspect of the tool at a time," Baiser suggested. "But be patient. It could take a year before your team is fully up to speed with all that the software has to offer."

Designate an estimator and project manager.

Depending on the size of your operation, your estimator and project manager could likely be you. These positions may be filled by two distinct employees or performed by one. Ultimately, project managers are responsible for maintaining the schedule, budget, client communication and quality control. They may also negotiate with and schedule subcontractors, communicate with vendors and other stakeholders, and resolve any issues with clients or shipments. If your company is large enough to have a dedicated estimator, they will often work in collaboration with the project manager.

“Things go so much more smoothly when you’ve got a single point of contact acting like the traffic controller for a project,” Rhodes said. “That person can take pressure off the clients by having oversight of the budgets, architects, designers and crew. It keeps everyone on the same page while allowing you to advocate for the client.”

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“Things go much more smoothly when you’ve got a single point of contact.”

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Communicate regularly.

Even when you have project management software to help keep things on track, clear communication is irreplaceable. Start with a preconstruction consultation with your client where you review the plan and project scope and finalize the design and budget details. After that, schedule regular progress check-ins, referring back to the plan and updating it if necessary. Make sure to document any adjustments to keep everyone on the same page. Maintaining transparency is crucial to maintaining trust.

“I think in any relationship, success hinges around communication and expectations. I spend time to flesh out on the front end of a project and put together a detailed scope timeline to share with my clients. Then I think about the questions that I would have as a buyer and prepare answers so we can address any concerns immediately,” said Ryan Francois, president of Rally Cap Properties.

Consider prefabricated materials.

One way to streamline your timetable is by using some ready-made or modular systems. Many suppliers offer prebuilt walls, floors and plumbing systems. Even smaller elements, like prefinished windows or factory-mulled window combinations, can cut hours from your project, allowing you to save on labor costs.

Get in a groove with subcontractors.

If you work primarily with subcontractors rather than a full-time staff, it’s just as important to develop strong working relationships. Because they’re independent workers, you can’t necessarily tell them what to do or when to show up. When you demonstrate the advantages of working with your team, subcontractors will most likely want to work with you again, creating loyalty, consistency and mutually beneficial work environments.

"For me, it's about creating shared trust, value and goals," Francois said. "I look for partners who care about craftsmanship and our mission to improve our city. And in return, we add value to subcontractors with repeat work." When you have a reliable network of subcontractors, you can create a consistent scope and a clear sense of what needs to be done and when. And that repeatability factor is greatly beneficial to you and your subs. Loop subcontractors in early on each project, showing them plans and being very clear about the quality of work, budgets and profit margins.

"I stay on top of when their schedule is open, so it's not a red-hot, last-minute thing. But because I've established strong relationships, a lot of times they'll shuffle their schedules if I'm in a pinch. Then if they need my help with something down the road, I'll return the favor. There's give and take for sure," Francois said.

Provide worker incentives.

When you do have a full-time staff, incentives can play a significant role in motivating crews to work efficiently, therefore keeping projects on schedule. Offering a completion bonus if workers finish ahead of schedule with little rework required is an effective way to encourage diligence. Small gestures, like catered lunches, can also save time at the site while lifting morale and increasing productivity.

Making Up Time When Projects Fall Behind

Even when you have consistent processes and habits in place, you'll likely run into setbacks from time to time. So when you do, what's next? It is possible to get a chaotic project back on track, as long as you take smart, thoughtful steps.

Address warning signs ASAP.

If you come across a snag in your project, it's best to confront it head-on. If materials or subcontractors are going to be late, or if unforeseen events occur, forecast the remaining work and use digital software to update your timeline. Then, make a habit of holding regular status updates until a project gets back on track, reviewing the roles and responsibilities required to make it happen.

Identify the "why."

No matter how big or small your setback, it's important to recognize what caused it. Were materials ordered too late? Were plans not clear to everyone involved? Setbacks are often preventable if you take the opportunity to critically evaluate your processes and recognize ways to be more efficient and avoid delays in the future.

Adjust your remaining scope.

This is where preparing — and allowing — for the unknown can pay off. If you built your original timeline with padding and flexibility for setbacks, it's far easier to move parts of your process around. Reevaluate your scope and see if you can eliminate or complete tasks sooner. This doesn't mean cutting corners, but rather evolving your plan to address new conditions. If you can make adjustments to meet your deadline, communicate them openly with your team and your clients.

Overlap projects.

Being proactive is the best way to keep your crew working through setbacks. Overlapping two or three project timelines can keep workers efficient and minimize costs associated with downtime.

"I always plan for delays that could affect us by two or three weeks," Mollak said. "So I'll overlap two to three projects so my guys can go back and forth rather than have days when they're not operating. Overlapping is the only way to do it."

What to Look for in a Supplier

As clients become more demanding and the industry becomes more complex, reliable suppliers become more integral to keeping projects on track. Of course, their ability to offer a breadth of products within your budget and in a timely fashion is essential. But no matter their merchandise, a good supplier makes your job easier. Make sure your projects go as planned by choosing a supplier who embodies these traits:

Dedicated expertise and support.

As anyone in the construction industry knows, strong relationships are critical to success. So it makes sense that this is the most important thing you can look for in a supplier. A strong relationship starts with an expert sales rep who knows your business and can provide guidance on purchases or when you run into setbacks.

“I’ve come to realize the value of a sales rep who’s got your back within the supplier,” Francois said. “Early on, we tried to DIY a lot with product that was most cheaply available. While we were able to create the end product we wanted, we probably spent a lot more time and effort. Once we established relationships with vendors, we got higher-quality products that are ready when we need them.”

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“I’ve come to realize the value of a sales rep who’s got your back within the supplier.”

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Suppliers may also offer resources like showrooms or samples that help you work with customers on critical decisions.

"We show customers Pella® window displays to get them excited about their project," Rhodes said. "Allowing them to touch and operate the windows and doors helps us get the physical and emotional buy-in we need to move through the process efficiently."

Regular communication.

It's not unusual for plans to change on the jobsite. And when that happens, you need to be able to contact your supplier quickly and easily. You should be able to contact your rep directly — and they should get back to you within a day. Good suppliers may also offer apps that allow you to send information quickly, track your order status and more.

"The ability to keep up with our workload and do whatever it takes to keep our projects on time is what I look for in a supplier," said Mollak. "I'll just text my reps quick and say, 'Hey, I need this,' and it's out there in a few hours or the next morning. If something is out of order, they usually will contact me and let me know and then we troubleshoot anyway, make it happen. The service is very important to me in order to keep our projects operating."

Loyalty programs.

When you find a good supplier, stick with them. Because when you do, you might be in for some serious incentives. For example, you might be eligible for co-op marketing dollars, advertising resources, lead-generation services and educational programs that you might not otherwise have access to. These kinds of incentives can help you grow your business faster by developing your team and attracting new customers.

"Contractors in a [loyalty program] are much more likely to succeed because they're given product knowledge, marketing skills, salesmanship and customer leads to perform at the top level," said Mike Schmidt, of Schmidt Exteriors.

On-site services.

The best suppliers will go beyond selling products to provide time-saving services. Look for suppliers who offer benefits like installation assistance, marketing resources, final walk-throughs and warranty repairs after the sale. When a supplier offers ways to take tasks off of your plate, you will inevitably save time and money — and gain happier customers.

No matter how complex your project is, organization, communication and preparation can make it easier to manage. Incorporate processes, practices and suppliers that will help you with these factors, and your efficiency is bound to increase.

Chapter 3

ENSURING HAPPY CUSTOMERS

Doing manual labor, operating heavy equipment and working long hours are challenges that most people think about when they consider a career in construction or remodeling. However, the most significant challenge may occur mostly off the jobsite — keeping customers happy. In this chapter, we cover effective methods to help you guide your customers from preconstruction to completion while exceeding their expectations every step of the way.

Lay the Groundwork During Preconstruction

As Benjamin Franklin said, "By failing to prepare, you are preparing to fail." These words could not be more applicable to working with homeowners on projects — regardless of size. Keeping clients happy starts with your very first conversation, long before demo or groundbreaking. It's during this discussion that you should discover enough project details to lay the groundwork for your plan, and ultimately your contract.

Anticipate questions.

No matter the size of the project, clients will inevitably have questions. After all, they're making a big investment. Addressing common queries and concerns before your client brings them up will not only help you prepare but also give them assurance in both the project and your crew.

“Time and money are always the biggest concerns. If we can guide them early on as to how long the project will take and how much it will cost, and address the variables that could affect those two things, the client will have a much better experience,” said Fred Rhodes, director of operations for a prominent custom builder. “We want to eliminate as many unknowns as possible before construction so they can sit back and enjoy the ride.”

While clients will surely have questions specific to their project, this list of common questions for remodels and new builds will give you a head start:

1. How long will the project take?
2. When can I move in/use the space?
3. What are the budget ranges for different design options?
4. How can I finance the project?
5. Are there multiple options for the floor plan/design?
6. How much customizing can be done versus using standard features?

7. What are the performance differences in material choices?

8. Do you offer a warranty program?

For new builds only:

9. Are there any additional fees relating to the home or development?

10. Will there be a homeowners association? If so, what will the dues cost and what do they cover?

11. What are the estimated taxes on a new property? How will a remodel affect taxes?

12. Are there any major development plans for the area in the next five years?

Dig deeper into client wants and needs.

Whether they're building a home or adding a bathroom, clients typically know what kind of project they want before they contact you. However, they may not realize how different design choices may improve their daily lives. By doing some investigative work into their lifestyle, family, priorities and expectations, you can provide solutions that exceed their expectations in ways they probably hadn't considered.

"In the beginning, we don't usually talk about the house, but rather the idea of home, what they like to do, what's important to them," said Rhodes.

Questions that could help guide your recommendations should delve deeper into their goals for their home, family and life and include:

1. What does this home mean to you?
2. Is this a 5-year house, 10-year house or the last house you're going to build?
3. How does your family interact in your home?
4. How important is individual privacy? How important is togetherness?
5. How often do you want to entertain? Do you see yourself entertaining indoors, outdoors or both?
6. How noisy is your home?
7. Do you have visitors often?
8. What kind of hobbies does your family enjoy?
9. Are your kids rough on things?

Learning about how your clients expect to live in their home allows you to offer design ideas they might not otherwise have considered. For example, if they like to entertain, you might offer multi-slide patio doors for seamless access to the outdoors. If they're planning on making the house their forever home, you may offer higher-end materials that require less maintenance. Simply taking the time to personalize recommendations can give homeowners confidence in your knowledge and attention to detail.

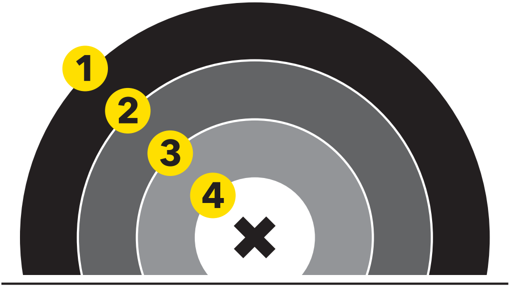
Set clear expectations.

One thing to keep in mind is that even small projects can seem overwhelming to homeowners. By clearly guiding them through what they can expect with each step, they'll gain understanding and peace of mind throughout the whole process.

"I present the process to homeowners as a target, or a series of concentric circles. The outer circle is the big picture with high-level information, like what the budget will be and how long it will take. As we move inward, we zero in tighter and tighter on the details," Rhodes said.

Rhodes recommends breaking out the process into preconstruction and construction phases, explaining to customers what will happen and who they'll be working with in each step.

"We lay out the path of what we'll be doing from now until we meet next, until we start digging. We'll list the key action items, decisions and meetings throughout. High-level transparency and staying ahead of the client are key."



The Bullseye Approach

1. Timing and budget
2. Preconstruction meetings, decisions about floor plans and structural designs
3. Construction meetings and decisions about design elements, doors and windows, countertops
4. Finishing touches, like hardware, light fixtures, landscaping

A critical part of setting expectations is helping homeowners envision the end product before they make decisions. Using samples and visualization programs are effective ways to accurately demonstrate the materials and designs they choose for their home, which helps create excitement and avoid disappointment.

“Homeowners don’t want surprises when it comes to their home. We want to make sure their expectations align with what they are getting,” said Lindsay Tafoya, replacement window consultant at DMD Window and Door. “That’s why it’s so important to keep samples of our current offering. We want them to be able to interact with the product, see it, feel it, so they know exactly how it will look and operate in their home."

To walk a homeowner through their floor plan or demonstrate how different fixtures, materials and design elements will come to life in a space, 3D modeling tools like Pella DesignWorks are invaluable.

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"Visualization helps get the client more familiar with the design and expedites the decision process."

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"3D modeling has been absolutely critical in clients' comfort level with projects. Visualization helps get the client more familiar with the design and expedites the decision process. We're able to make design changes live, which facilitates greater understanding and discussion," said Rhodes.

While complete 3D modeling is ideal for new builds, simpler renderings can be effective for remodel projects.

"Our projects are complete transformations, so it's not always clear what the end product will look like. Virtual walkthroughs, color renderings and 2D floorplan prints help clients see how it all comes together," said Ryan Francois, president of Rally Cap Properties. "I also lean heavily on my portfolio of past products on my website."

Another benefit of using digital tools is the opportunity to upsell. Pella DesignWorks allows contractors to leverage a team of Pella designers to draw up several proposals for a home's exterior.

Example of Pella DesignWorks 3D rendering project.

"Pella DesignWorks has helped us increase our profits because it gets customers thinking about improvements they may not have considered. All we have to do is take a picture of the home and send it to Pella," said Eric Brown, owner of Siding Unlimited, LLC. "We get a complete color rendering of what the house will look like with a new roof, entry door, windows, siding, etc. Customers are wowed by it, and it gives them the feeling that we're going above and beyond. In reality, Pella is doing all the work. It's so simple."

When you guide homeowners through their questions, desires and expectations, you'll set your crew and customers up for a build that's as smooth and worry-free as possible. Because you'll not only lay the groundwork for your plan but also establish trusting relationships with your clients – and set your business up for success.

Construction – Creating a Stress-Free Process

You know how complex a complete build or remodel can be, but your customers don't have to. As you dig into their project, you'll want to maintain – and even build on – their excitement by making it as easy as possible for them to imagine an ideal result.

Designate a client advocate.

The most significant way you can eliminate complexity for your customers is by providing them with one point of contact, no matter how many pros are contributing to their project.

"Homeowners like a constant and consistent reference point for the entire project. If they're working with a builder, an architect and an interior designer, they don't want to explain their vision over and over again," said Rhodes. "Designating one project manager to relay information and act as a customer's representative ensures everyone is on the same page."

To help further eliminate a homeowners' uncertainty, a good project manager advocates for the client in meetings and behind the scenes.

"Homeowners may feel intimidated in meetings with professionals who do this all of the time. They need someone to step up and make sure their voice is heard," said Rhodes.

The best project managers go beyond working on behalf of the customer to facilitating collaboration with the entire team. The project manager should act as the main contact for architects, designers, suppliers and landscapers as well, helping them understand their roles and leading discussions about processes and expectations.

"Everyone has a role and everyone's important. We want to make sure clients know that," Tafoya said. "We have to have a team attitude that's focused on solutions and puts up a united front."

"Homeowners may feel intimidated in meetings with professionals who do this all of the time. They need someone to step up and make sure their voice is heard."

Manage setbacks with transparency.

No matter how prepared and organized your team is, delays are always a possibility. And if they occur, they're likely to cause additional stress for homeowners. In chapter 2, we discussed getting projects back on track from a production perspective, but it's also important to uphold homeowners' satisfaction by mitigating any stress they may experience.

"Throughout the project, I continually go back to questions I'd ask if I were a buyer, especially when something is going to have a price impact or delay completion — the two things that have potential to cause conflict," said Francois. "Being open and honest is a big key to success."

When you do experience a delay, take the opportunity to get ahead on other aspects of the project. An effective way to keep things moving and alleviate customers' concerns is to shift your focus to different action items.

"If we're waiting on an architect or subcontractor, why not capitalize on this week off and work through other decisions?" asked Rhodes. "When the client has energy and enthusiasm, get them talking about details like bathroom tile or hardware rather than just waiting."

Work with diligence.

One critical concern homeowners have is how you treat their property. The fact that they hired you to build or improve their house means they value their home, so it's important to show respect.

"We set up racking for all installs so everything is organized, clean and off the floors," said Jason Mollak, president of JPM Construction. "People are concerned with dust flying through the air, especially if they're staying in the house during a remodel. We build dust collection into our jobsites to take that worry off our clients' shoulders."

Keeping materials clean and organized during construction and cleaning up thoroughly after completion will show homeowners that you care about their comfort, which will increase your likelihood of repeat business and recommendations.

Attracting More Happy Customers

While keeping customers happy throughout the construction process is integral, starting with happy customers can make your job easier. The best way to do that is to target your marketing and advertising to the audience that aligns with your brand.

Hire advertising professionals.

This will give you a leg up in targeted marketing. Because agencies have resources to help you build prospect lists based on interests, ZIP codes and income levels — and measure the results for future campaigns.

“We work with high-end homes, so our social media is very targeted to those in that market,” said Rhodes. “Our agency recommends imagery, language and search words that are popular among the demographic we’re looking to work with.”

“Our goal is to transform older homes in established neighborhoods, and we’ve discovered that approach really appeals to first- or second-time home buyers," Francois said. "We've built a niche with millennial buyers who value good design and character but want a modern aesthetic."

Advertising agencies can also help you establish a strong reputation with professional photography, communication and design.

"Our agency is constantly analyzing how the language and photography we use performs," Rhodes said. "They also take cues from lifestyle brands on what images and messages are resonating with our audience. I give them all the credit for our strategic approach."

If you don't have the bandwidth to work with an agency, designate someone to take on advertising responsibilities in-house. Hiring a person with a marketing background can help ensure your materials look and sound professional. They can also work with suppliers to access marketing templates, professional photography and recommended verbiage.

Take advantage of supplier resources.

In addition to advertising templates, suppliers may provide you with lead-generation services and marketing dollars through their loyalty programs.

“Pella helps us generate more leads with co-op dollars, co-branding opportunities and services that help us attract more targeted customers,” Tafoya said. “Marketing is always a good place to spend our money. We’ve definitely put more focus on getting the best quality leads versus just names, phone numbers and addresses.”

Beyond advertising, suppliers may also provide marketing and product education to help you attract homeowners, in addition to jobsite services to help ensure products are installed properly. Ask your partners what resources they offer to help you grow your business.

Stay ahead of trends.

Keeping up with design trends that cater to your audience plays a major role in how effective your marketing efforts are.

Because customer demands are constantly shifting due to cultural influences, or macro trends, you should pay close attention to social, technological, economic, environmental and political factors — easily remembered as STEEP.

For example, as society becomes more stressed by events occurring in the outside world, they may view their home as a place for joy, opting for pops of color or playful shapes. As homeowners become more time-starved, they may look for opportunities to add time-saving technology to their home.

“Think about how a home can support people’s daily habits and goals,” said Jenn Tuetken, manager of design and insights at Pella Windows and Doors. “Right now, rather than the open spaces we’ve seen in the past, homeowners are building in smaller, cozier spots to serve as very intentional retreat zones. These nooks might be where a homeowner places their exercise bike, yoga mat or reading chair.”

Tuetken also notes that finding opportunities to incorporate an abundance of natural light into a home can give builders a competitive advantage in the marketplace.

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"People want to feel good when they enter a space. And light is one of the most powerful ways to influence a person's mood."

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"Access to natural light is a very desirable luxury right now. It gives a home life and brings out the shapes and textures inside," Tuetken said. "People want to feel good when they enter a space. And light is one of the most powerful ways to influence a person's mood."

Resources like Google Trends, Pinterest, Instagram, industry publications and manufacturing partners offer insight into trends that influence your customers' choices. Read more about current macro trends and how they affect design in the recent article "5 Macro Trends Driving Home Design Today."

No matter what kind of projects you work on, interacting with customers plays a major part in your process – and how happy they are throughout heavily influences their perception of the end product.

"Communicating frequently, managing expectations and eliminating the unknowns are the top priorities for me," Rhodes said. "Do those things right, and your customers will notice."

CONTRIBUTING AUTHOR

Chapter 4

LEARNING FROM SUPPLIERS AND TRADES – IN GOOD TIMES AND BAD

by Scott Sedam, TrueNorth Development

Over 30 years ago, Mike Rhoads, one of my most influential mentors and among the very best construction executives I've ever met, called a meeting of his key suppliers and tradespeople to discuss how to improve his company's processes. The group included all the usual suspects — framers, roofers, carpenters, drywallers, floorers, and window and door suppliers.

We pushed the tables to the center of the large training room and laid out five project plans. Mike arranged the trades around the room in order of build, gave them all red pens and told them to have at it. Company members from purchasing, construction and design also participated, but they were there only to answer questions and help. They were told not to lead with their own ideas or shut down an idea before it was discussed.

Despite the bedlam, the results were remarkable. After a few hours, nearly 100 improvement ideas emerged, most of which applied to multiple plans. And more than half of those ideas impacted every plan in the company.

With help from suppliers and tradespeople, Mike's team attacked those 100 ideas and many more that emerged over time over the next year. Did the product improve? Did the process get better? How about a reduction in errors, material waste, variance, return trips? And how about the ultimate measure – profit? Did profits increase and not just for the builder, but for the suppliers and trades, as well? You tell me.

Today, when we have these "Lean Plan Workout" sessions, we typically see around 250 improvement ideas. After all, the process taps into thousands of collective years of experience. The trades love being asked for their input and expertise, and builders, designers, architects and engineers get the opportunity to learn from those who build the houses every day. The knowledge is sitting right in front of us to significantly improve product, process, plans and profit. If we ignore it, it would be detrimental to all.

The "Lean Plan Workout" in the "New Normal"

During times of crisis, the motivation to work hard, do things right, and go above and beyond is abundant. Prior to the COVID-19 pandemic, people feared a slowdown, but this threat was relatively minor in U.S. markets. Customers were still coming out, product was moving and cash flow was good. The biggest obstacles were continued increases in costs – including labor, materials, overhead and permitting — along with the availability of land in good locations. The result was a significant but not yet debilitating margin squeeze.

Then our world changed. In most states, housing was classified as an essential business even during lockdowns. As I'm writing this, homebuilding is starting up again almost everywhere, but forecasting housing in the post-COVID era is as tough as forecasting the outcome of the next government news conference.

We have highly motivated workers ready to do anything to get back to "normal"— or at least learn to operate under the parameters of the "new normal," as it is so often described. My colleagues and I at TrueNorth have spent hours talking with builders of late, listening to their fears, concerns, hopes and ideas. I've been asked multiple times what builders should do now to get through tough times — and thrive in the future.

The "Lean Plan Workout" is a practical place to start, and seeking improvement in the following three areas can help you focus more on the bigger picture.

Become a master scheduler.

My 32 years in homebuilding, combined with more than 150 years of my key associates, has taught me one thing with complete certainty: the best builders are the best schedulers, and the best schedulers are the best builders. Yes, in good times, in a good market or with a unique product niche, you can make some money regardless of a lousy schedule, but you're leaving a ton on the table. Having the most reliable, predictable schedule means everything to your suppliers, trades, staff and customers. There is simply no downside.

The value of a saved day is typically three to five times greater than builders count due to the huge impact of the absorption of fixed cost over more units in less time. The trick here is that you can't improve your schedule by memo, decree, threat or cajoling. Everything must be right from the start. You need the right product, land, site plans, specifications, contracts, suppliers and scopes of work for all trades. And a low rate of variance and thoroughly trained staff. Not so easy — but if it was easy, anyone could do it and you'd have no competitive advantage. It is no exaggeration that scheduling is job number one.

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"The value of a saved day is typically three to five times greater than builders count."

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Build supplier and trade relationships.

Let's do a quick calculation. How many units do you build annually, and how many permits are in your market? Although a large production builder may hold 15% to 20% in some markets, a share of 3% to 5% is considered large, and 1% to 2% is substantial. So let's say you build about 2% in your market, 1 out of every 50 homes. That also means you only use 2% of the trade capacity across the board, or 50 companies for every 1 you need. Then, throw out half because they might not do your quality of work. Now you're working with 25 companies. Half of those don't want to drive far, so you're down to 12. Half of those might be priced too high, so that leaves us with 6 companies. Only 6 that can do your quality, get to your job and are priced right. Out of those 50 companies, you only have to be good enough to attract and build a mutually beneficial relationship with 1 or 2 of them for each trade.

It's easy to describe what suppliers and trades want: to be paid fairly and on time, a reliable schedule, clear plans and specifications, minimal changes and variance, well-trained staff, and to always be treated with dignity and respect. Do that, and the Builder of Choice trophy goes to you — which means you'll get the best trades and the best crews. And that makes all the difference.

Qualities of a Builder of Choice

Predictable schedules

Clear plans

Fair, timely payments

Minimal changes

Well-trained staff

Respect for trade partners

Eliminate variance.

Variance goes by many names, and you may know it as VPO (variance purchase order), EPO (exception purchase orders), FPO (field purchase orders), or simply a line entry on a spreadsheet titled "Variance." We're talking about any cost that occurs, no matter the origin, after the original house budget is commissioned, including all options and selections. Whether that cost comes from the builder, supplier, trade or customer, nothing good ever comes of it. The costs are far higher than anyone calculates, and everyone loses. I often describe variance as a nationwide issue that affects builders of all types and sizes, bleeding profit — and still, no one measures it fully or accurately.

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“If you’re running high levels of variance, you can’t stay on schedule or become a builder of choice for suppliers and trades.”

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Pull your last 10 variance requests. You’ll likely find a list of labor and materials. You might also find an extra trip charge buried in all that information. What you probably won’t find are general overhead charges. You lose so much work and time to find the problem, decide how to fix it, communicate to all involved, monitor progress, cut checks and close it out — and suppliers and trades lose just as much in the process. Data proves that what you lose in overhead is a multiple of what you spend on labor and materials in a year. So many builders brag about variance below 1%. But in those same builders, a true total installed cost analysis reveals that impacts closer to 3% to 5% are not unusual with overhead factored in. That’s money off your bottom line. And if you're running high levels of variance, you can't stay on schedule or become a builder of choice for suppliers and trades.

Everyone loses with variance, and the problem can't be solved without great design, a disciplined options-and-selections process, knowledgeable suppliers and trade contractors, and a great schedule maintained by well-trained internal staff — including purchasing and field construction. None of this will be solved without the willing participation of your suppliers and trade contractors.

Move Toward the Future with Your Suppliers and Trades

Bob Halso, a great builder I worked with years ago, admonished his people, "For each challenge you face, ask yourself this question, 'How is what we are about to do going to help us build one more house, at a profit, to a delighted customer?" The issues and examples cited above can help you weather the current COVID-19 storm or other market changes.

We should have been perfecting these practices last year so they could bear us up in years to come, no matter the challenges or times we face. If you're still developing these processes, here's a simple way to get started. Once a week, arrange to have breakfast or lunch with just one of your suppliers or trade contractors. Invite the boss and tell them to bring one of the best from the field and one from the office. Get to know them personally. How are they doing? What do they see? But center the meeting on one key question alone: "From your perspective, how can we, the builder, be easier and better to do business with?" Nothing else. Save all the things you want them to do for another time. Never miss a week, for the rest of the years you're in business. You may have to do this via Zoom or some other media for a bit longer, but trust me, you'll have plenty to work on for now — and in the years to come. The knowledge is there for everyone's health and longevity. Isn't it time to go after it?

CONTRIBUTING AUTHOR

Chapter 5

RUNNING YOUR BUSINESS PROACTIVELY – RATHER THAN LETTING IT RUN YOU

by Fred Reikowsky, Legacy Business Leaders, LLC

I could sense a collective sigh of relief as the meeting between two co-owners of a construction company wound down. The discussion had been contentious — and it wasn't the first time it occurred. "Why aren't we making any money?" Their constant avoidance of the issues had been placed right there, squarely on the table, leaving a mandate for action — if they were committed to getting this thing right. I swear I could hear the one who'd been pushing so hard and so long for change humming the "Hallelujah Chorus."

Life in the construction industry can be a roller coaster, filled with wonderful highs that bring great joy then quickly vaporize into a fog of confusion and chaos. But it's what we signed up for. And knowing the nature of the business, how does an owner in this industry best prepare to take advantage of a booming market with low interest rates while buffering for the hard times, too?

It seems natural that we would build a business to withstand obvious threats, not unlike the way we build a home or addition using impact glass in hurricane regions or foundation ties in earthquake-prone environments. But most builders just aren't wired that way. In my 33 years as a builder, it was very uncommon for me to break away from the daily fray long enough to really assess threats and actively prepare for them. Like most of the builders I coach today, I was busy. It was a way of life — constantly consumed by all the demands, distractions and diversions.

But to build for a prosperous future, creating a strong and profitable business requires much more. It requires disciplined focus and leadership. In booming or busting markets, strong, well-led companies prevail. It's an irrefutable principle. The unique challenges in either context demand more than mediocrity for a construction company to survive and thrive.

I've often watched "good" builders, much like the two in this meeting, fumble and fail in booming markets, unable to get out of their own way and capitalize on what should be great opportunities. Rather, they make their prospects for survival, especially in a downturn, doubtful. And the sad fact is, most of the pain is self-inflicted.

Build the Business

A well-organized and efficient construction company doesn't happen accidentally. It's not blown multiple directions by the winds of busyness every day but is focused on key fundamentals that drive it purposefully toward higher profits and valuable referral work.

Think of it this way – you and your company are products of each decision you make throughout every demanding day. And with the daily discipline to make well-thought-out decisions in anticipation of future hazards, you can ensure your ability to capture present opportunities profitably. That spells peace of mind!

With that end in mind, start by ensuring these four building blocks are solidly in place.

Purpose.

Author and speaker Dale Carnegie once said, "The man who starts out going nowhere, generally gets there." It makes sense that if you want to go somewhere you would clearly define "somewhere."

Sadly most of us don't — we're busy. It's a true loss that so many miss the intrinsic value of a compelling vision — a real, tangible driving purpose that aligns an organization's limited resources with something bigger than us and our daily struggles.

Consider that capturing opportunities only happens when we have our heads above water long enough to see the big picture and connect our vision with the circumstances that come across our radar daily. It's only with a picture of a compelling future in mind that leaders make new things happen — such as redemptive conversations that inspire employees, introductions to key lenders or community leaders, or cultivating our networks for high-potential referral work.

Peter Senge, in his work "The Fifth Discipline," noted that "The gap between vision and the current reality should be a source of energy. We are limited by our vision more than our abilities." What's your "source of energy"? Have you defined it, documented it and shared it relentlessly with your people? Inspired people win in good times and pull together to overcome adversity in bad times. They're motivated by the constant flow of energy that comes from knowing their work really matters and makes a difference.

Want to release the dormant energy in your organization? It's up to you to make the shift. People follow passion. Go to work on your purpose, and watch what happens. The tangible difference is the ability of people and the organizations they work for to overcome adversity. Purpose always trumps pettiness, politics and gossip and attracts the best people as a result.

Profit.

If you don't own your numbers, you don't own your business. Numbers drive results, and they have to fit. Whatever the goals for any leader and organization, success must be quantified before it can be pursued. Profit is never incidental, but many in our industry act like it is. I often repeat the mantra that "profit protection is the number-one responsibility of a leader." In fact, it's not an option if you're committed to long-term success.

So what do you want?

Begin with the end goal in mind, and calculate what you want from your business in exchange for all of your risk, time, stress and frustration. When you think about it, that number is almost always a lot more than what it is now. It's up to you to set the standard for profitability and then direct your business to get there and stay there. Otherwise, you just become victims of circumstance, hoping for the best and leaving your fate to chance.

At Legacy Business Leaders, we use our GPScorecard to help leaders get a grasp on this concept and take back control. It's your business after all, and despite a changing economic landscape and multiple other variables, the numbers speak the language of success or failure. The GPScorecard will help you get the first and most important number – your net profit goal in dollars, not a percentage – clearly in view. And then it defines the single most important number to get you there – your gross profit percentage goal. I call this number the "epicenter" of your financial world.

Knowing and owning your numbers is empowering! It's like adding solid firepower to your arsenal of sales tools to protect your profit instead of defending your price. In the heat of the sales battle, there's no more powerful tool to overcome old exhausting price objections and win more contracts. It's your line of defense and the confidence to say "No" when your prospects push for lower prices and "Yes" to investment opportunities — without jeopardizing your financial stability.

Plus, as an added benefit, owning your numbers gives you real leverage in the financial world of engaging lenders and securing the capital needed to capture opportunities. Lenders want to partner with savvy businesspeople, not amateurs. Creating accurate financial reports and well-thought-out business pro formas sets builders apart from the competition and opens doors to profitable land development initiatives, spec and model home building options, and recapitalization needs.

Process.

Wouldn't it be nice to wake up and go about business in an orderly, relaxed way every day, knowing things were getting done as they should without your constant intervention and oversight? That's the picture of a self-sustaining business, and not, as many have come to believe, an unattainable ideal. Processes are the disciplines to get you there.

A mistake I often made over my 33 years as a homebuilder and remodeler was allowing myself to be in the crosshairs of almost every activity in the business. As you can imagine, it was exhausting. Making that mistake can be fatal to you and the business. As important and knowledgeable as we think we are, believing that we're irreplaceable is a huge mistake. Giving away authority to capable people is perhaps one of the most difficult functions of leadership, but it's essential to creating a self-sustaining business.

You'll find the concept of a process or system discussed many times throughout this book. Because any construction consultant will tell you that having a documented, step-by-step listing of "how we do stuff" is essential for maximizing profitability, avoiding extra work and keeping employees happy. In fact, when you involve your key employees in creating or improving systems, you'll find the buy-in will soar. And once you have a self-driven company, you'll relieve yourself of the constant need to solve everyone's problems for them. It's a win for everybody.

Check out chapters 6 and 7 for more specifics on how to get processes in place on your team.

People.

It might seem backward to mention the most important component of business success last. After all, as author Jim Collins found in his extensive research, it's imperative to get the right people on the bus and the wrong ones off before you ever start the engine. However, having the "bus" in good working order before you invite great people to get on is even more important. Great people want to join great organizations with a strong purpose, clear profit potential and systemized processes that allow them to function autonomously and productively without the restrictions so often imposed by micromanagers and insecure leaders.

All too often, well-intentioned builders assume things like compensation and bonus pay can attract and keep great people, when in reality, as important as those things are, they're really just "permission to play" standards. Yes, pay your people well! But if they can't see, sense and feel that they're valued and significant as contributing members of a team, statistics show that the best ones leave (or won't join in the first place), and the rest tend to stick around as long as they're allowed to function at substandard levels.

Dealing successfully with people is by far the biggest hurdle leaders have to overcome. It's an acquired skill that takes hard work but is never an insurmountable road block. Our Legacy one- and two-day on-site accelerators have been developed to address this challenge head on. Bringing teams together to challenge the status quo and raise awareness levels has a magical effect on how they perform. At the heart of every successful team and culture is an environment of trust and transparent communication that's often lost in the daily fray of being busy.

You can't change people, but you can change the environment so people will choose to change. It's a subtle but overwhelmingly powerful leadership advantage you can capture, beginning today. Just treat people as they can or should be, instead of how they are, and invite them to be a part of the solution instead of assuming they're a part of the problem. The defining difference is a place where people choose to follow your lead and act in the best interest of the organization and not just for themselves. It's the key to your self-sustaining success over time.

The Advantages

With the right building blocks in place, builders and remodelers will see nearly instant evidence of a business that works for them. Among the most important and rewarding is the availability of discretionary time to focus on the business rather than being controlled by it. Sharing daily responsibilities with capable people, well-trained with clear focus, allows builders the relieving cushion to do other important tasks, like marketing intentionally to ideal target clients and selling boldly with an uncompromising goal of win-win outcomes that deliver happy customers and great profit.

It opens the door to creative thinking, testing new processes and measuring key performance indicators regularly. And it delivers the one thing that escapes most of us over the life of our building careers – peace of mind, which is priceless! That can only come with the assurance of a strong, well-run business that captures every available opportunity in a booming market while simultaneously preparing for downturns that we all know will come. As author Jim Rohn stated, “We will all suffer one of two types of pain over time. It will either be the pain of discipline or the pain of regret.” Your choice.

CONTRIBUTING AUTHOR

Chapter 6

HOW TO STAY PROFITABLE WHEN THE MARKET SLOWS

by Shawn Van Dyke, Built to Build Academy

Most construction business owners don't have a plan when the market slows or when a crisis occurs.

This makes you feel anxious because you're not sure how to best preserve the cash you have, and you're worried about how to keep money coming into your business. If those problems aren't enough, you're also faced with the stress of trying to keep your team productive during slow times.

One of three things will happen to your construction business when the market slows. Your business will:

1. Take a dive.
2. Struggle to survive.
3. Begin to thrive.

When the market slows, revenue streams may dry up and customers can become hard to find. Construction businesses without a plan will take a dive because there's no time to pivot and adjust to the changing market. Their immediate need for cash forces them to drop prices, pursue any kind of work and make decisions based on fear. All these reactions put businesses in a race to the bottom.

Construction businesses that avoid taking a dive may spend months, if not years, struggling to survive. Operating a construction business in “survival mode” is chaotic and plagued with a lack of focus. Everything is urgent. When everything is urgent, nothing is important. Reaction is the only action, and there’s little to no time for planning.

However, your construction business doesn’t have to take a dive, and you can avoid the struggle to survive. In fact, you can begin to thrive when the market slows, as long as you have a plan. Your plan for a slow market or crisis will give you the confidence to keep running a healthy business in the face of uncertainty and help you avoid making decisions out of desperation.

Here are the three things you need to focus on to remain profitable when the market slows:

1. Cash preservation.
2. Lead generation.
3. System creation.

Cash preservation.

The first action you should take when the market slows is to identify the activities that will keep revenue coming into your business.

But not all revenue streams are the same. Some revenue streams generate profits for your construction business, and other income streams deplete your margins.

You have to focus on profitable products and services, and eliminate everything else.

That is the basis of The Boring Success Formula™.

Here's how The Boring Success Formula™ works.

When someone asks you, "How did you become so successful?" I want you to be able to give them this answer:

"We just identified what makes us money, and we did that every day. We also identified what was losing us money, and we stopped doing that."

That answer is kind of boring, but the business behind that answer is not. When businesses get focused on the right things and eliminate distractions, they make more money, create engaged employees and attract better customers. That's an exciting business to own, a great place to work and a service that's in high demand.

Here's what The Boring Success Formula™ looks like:

[MAKES $ x 365] - LOSES $ = SUCCESS

When you get clarity on what generates a profit for your business, you'll know where you need to pivot when the market slows.

A pivot in business is usually a term associated with startups. Pivots describe when there is a structured course correction designed to explore new opportunities for business growth.

But in a slow market, it's too late for exploration. You're in cash preservation mode.

In a slow market, the pivots you need to make for your construction business must be toward profitable opportunities. The only way to successfully pivot in a slow market is to identify the opportunities that generate a profit as soon as possible.

Ask yourself these two questions to calculate The Boring Success Formula™ for you:

1. What services/products make us the most money?
2. What services/products cost us money?

The answers to number one may not be sexy, especially in a slow market, but you're not in business to be sexy. You're in business to make a profit.

The answers to number two must be eliminated from your business. You can't afford distractions in a slow market.

Cash preservation must be the first step in your plan because you're going to need cash to put the next two steps of your plan in place.

Lead generation.
Once you've identified your cash preservation activities, you need to focus on lead generation. Lead generation is an upstream activity – and upstream activities lead to downstream results.

According to your profit and loss statement, your business starts with sales, but theoretically, your business starts with marketing.

My business mentor once told me, "People don't buy your product. People buy your marketing."

Marketing is an upstream activity – and it always comes first.

The goal of your marketing is not to generate a sale. The goal of marketing is to generate a lead. Once you have a lead, you need to design a process to convert that lead from a prospect to a customer. This process is known as a marketing funnel.

Most construction businesses don't have effective marketing funnels in place. They depend on word-of-mouth marketing, which is tricky if you don't control the words people are saying about you, and when the market slows, those people start talking about other things. They aren't talking about your business. They are talking about their problems.

Your customer's biggest problem is where your lead generation starts.

Donald Miller, author and founder of "Story Brand," says, "People don't want to solve their problems. People want to buy their way out of them."

I have a problem every April. I bet you do, too. I have to file and pay my taxes. If I wanted to solve my issue, all I would have to do is read and understand the 74,000+ pages in the federal tax code, learn a new tax software and memorize the rules that govern accounting best practices.

I don't want to solve my issue. I want to buy my way out of it, so I hire a CPA. I bet you do, too.

Your customers don't want to solve their problems. They want to hire you to do that. It doesn't matter if you're a home builder working for homeowners or a trade contractor working for other general contractors. Everyone has problems, and we're all looking to buy our way out.

The most effective way to generate a lead is to identify your ideal customer's biggest issue and advertise how you can fix it.

Once you determine what your customers' biggest problem is – as it relates to the services you provide – you need to show them the benefits they'll receive when they hire you.

People buy based on emotion, so you need to make them feel good about buying from you. Show them how hiring you will make them feel, and give them examples of other happy customers. They will want that same feeling. When they trust that you will do the same thing for them, you must tell them what to do.

You must give them a call to action (CTA).

"Schedule Your Free Consult," "Download 'The 5 Questions You Should Ask Every Contractor Before Hiring Them'" or simply, "Call Us to Discuss Your Project" are CTAs that generate a lead. And when they do what you ask them to do, make sure you capture their contact information.

When people give you their contact information, they’re giving you permission to market to them because they believe you can solve their problems — or because they’re interested in the value you provide.

Ask yourself these three questions to develop your lead generation strategy:

1. What is our ideal customer’s biggest concern (as it relates to the services we provide)?

2. What benefits do they get when they hire us to solve that issue?
3. What action do we want them to take?

Lead generation is a quantity game. The more leads you have, the more prospects you can convert into customers, and the more you can focus on profitable projects.

Remember The Boring Success Formula™? Focus on the activities that make you money, and eliminate everything else. Lead generation will keep you profitable when the market slows.

System creation. Once you have a plan to preserve your cash and a strategy for lead generation, you can focus on creating systems in your business to remain productive when the market slows.

When business is booming, the whirlwind of day-to-day activities masks the need for systems. The constant phone calls, the stack of estimates, the next sales meeting and the fires to put out keep you from dedicating time to design and implement systems for your construction business.

When the market slows, you get fewer calls, the number of estimates decreases, sales meetings get cancelled and production drops off. This might sound crazy, but this is a gift.

You just got your time back. Don't waste your time when the market slows by attempting to stay busy. Being busy is the enemy of being focused. Leverage a slow market by getting focused on creating the systems you need when the market recovers.

Here's a simple three-step process to create any system in your construction business:

1. Define the outcome.
2. Document the instructions.
3. Delegate the improvement.

Many construction business owners delay creating a system until two things happen. First, they wait until they have the time to create the system, and second, they want to understand all the pieces of the system. This is the wrong approach.

A slow market, as scary as it may seem, solves the first problem. You have time. Just start. Starting solves the second problem.

When you start a new system, you will begin to understand what needs to be created, what needs to be fixed and what needs to be improved. But none of this will happen if you don't start.

The first step in system creation is defining the outcome. Define what success looks like when this setup is fully operational and why that outcome matters. Once you define the outcome and your people understand why it matters, ask them to perform the second step in the process.

A system is only effective if anyone can repeat it and achieve the same results. That's why step two is to document the instructions. This doesn't mean writing out a narrative to cover every possible scenario. That would take too long, and no one is going to read a novel anyway. But there is a way to communicate a massive amount of detailed information in a clear and concise way: shoot a video.

Almost everyone carries a video camera with them at all times in the form of a smartphone, and most computers come equipped with the ability to record the screen.

Leverage this technology to document the instructions of the processes you create. You and your employees are already performing the tasks you need to complete a project every day. All you have to do is turn the camera on and talk to it while you're performing that task. It won't be perfect, but it will be done.

When the instructions of the system are documented, both in written form and video content, then you can complete the final step of creation. And you can delegate improvement.

Empower your people to improve on those steps without your approval. When they find a better, faster, more efficient way to achieve the outcome, let them know they don't need your permission. Give them the freedom to improve. All they have to do is shoot a new video and document the new instructions.

Systems create plans, and plans create opportunities. Most construction business owners don't have a plan when the market slows, so they take a dive or struggle to survive. But if you focus on cash preservation, lead generation and system creation, then you can thrive when the market slows.

And the market will slow. It always does. Whether the slowdown is due to a national crisis, a global recession or the weeks between Thanksgiving and Christmas, the market will slow.

But the good news is that it will recover. It always does.

One last thought: the things you do to remain profitable when the market slows are exactly the same things you should do when business is booming.

Chapter 7

PREPARING YOUR BUSINESS FOR THE FUTURE

You've seen the world change drastically in recent years — and even months. While change can be unsettling, it can also present your business with opportunities to become a leader in your market. To ensure that your business is prepared to evolve and grow for years to come, there is a wide variety of factors to consider. From simply saving cash reserves to introducing new practices and technology, you should be making smart, informed decisions as you move your business into the future.

Focus on your specialties.

While every business should have multiple income streams, you should hone in on one or two specialties that drive the most dollars and have the largest margins.

As mentioned in chapter 6, construction business coach Shawn Van Dyke teaches The Boring Success Formula™, which is simply finding the service that makes you money and doing it over and over again, while at the same time eliminating the things that don't make you money.

"Find one or two things you're known for and focus on that. It's easy to grow your business in the right direction when you know what's most profitable," Van Dyke said.

Determining what your specialty is goes back to knowing your numbers and identifying where most of your money comes from. What's making the most revenue? And is that the service that has the biggest margin? Most of the time they match up, but if they don't, you might discover other services to expand upon.

"You can still offer other services; just don't focus on them as a main part of your business. Think of them as extras," Van Dyke said.

Fred Reikowsky, construction business coach and principal of Legacy Business Leaders LLC, says that beyond looking at the numbers, you should also consider your long-term goals for the company and your "Core Four" – your vision, mission, values and goals.

"Your Core Four should be the foundation of your business. They give your company direction," Reikowsky said. "Once you've nailed down your Core Four, you have a point of reference from which you can then say, 'Yes, I'm going to pursue that project because it aligns with the direction I want to go.' You can also say no to projects or services that don't match up with your Core Four. In that way, your Core Four give your business a filter."

Your Core Four need to be well-thought-out; however, they can be simple. Write down one sentence for each, and distribute them to your crew to create alignment and understanding of the business throughout your entire team.

Determine Your Core Four

Vision	Mission	Values	Goals
Where do you see your business going long-term?	What is your company's purpose?	What morals and behaviors do you believe in?	What do you need to achieve to realize your vision?

"You can offer unlimited services and products if you want, but very few builders have the processes and people in place to handle it and make a profit," said Scott Sedam, president of TrueNorth Development, LLC. "Figure out what your customers want by tracking what products and services you're selling most, or sending homeowners a quick survey. If you're going after the home improvement show addict who insists on customizing everything, you can do that. Just make sure you have the processes and training to handle it."

Expand your recruitment target.

Right now the construction industry is facing a unique opportunity to grow the labor pool and close the skills gap shortage. With a national unemployment rate nearing 15%[1], there are millions of motivated workers looking for reliable careers that offer stability and longevity who may not have considered construction work before.

“People used to think of this industry as a place to go if you didn’t have the means or desire to go to college,” said Mel Baiser, partner at HELM Construction Solutions. “But construction is a really great industry with a lot of earning potential — and it doesn’t have to mean manual labor. There’s a massive need for professionals in project management, estimating, interior design and energy modeling. We need to reach out to these workers and make them realize they can have a secure, long-term career with us.”

Due to an aging workforce, Van Dyke says it’s critical to focus on tailoring recruitment efforts to younger workers.

“Millennials are the largest generation in the workforce now. Paying attention to them is very important, especially for the next 10 years, because they're going to be in charge of things," Van Dyke said. "Studies show that millennials want to understand three things – their job description, how they can succeed and how their job impacts the world. Builders need to answer those three questions for anybody looking to work for them if they want to have longevity and impact."

Baiser says building a diverse crew is also going to be integral to the future of construction businesses. Especially since 83% of millennials are found to be more actively engaged in their work[2] in an inclusive environment. In the coming years, you should make an effort to market your company as a place where people from all backgrounds can build a career, make money and be successful.

"In most cases, companies aren't talking to half of the population because we're not considering women, LGBTQ workers or youth of color," Baiser said. "Honestly, if you're willing to invest in recruiting and creating an inclusive culture, you can attract a lot of smart, hard workers. Statistics show that bringing in diverse applicants improves your business. Plus, using diversity in your marketing is an effective way to attract younger employees and customers."

Consider representing your company at career fairs where you can get in front of more diverse populations. Marketing your business on social media also allows you to cast a wider net. Regardless of how you recruit, you should show prospects the kind of benefits they're drawn to — like good pay, growth opportunities, innovation and inclusion.

"The population of our country is changing, and that should be reflected in our labor pool," Baiser said. "If you look at trade unions, they're already doing marketing campaigns around hiring youth of color and women because they know they need these people in their ranks as we move toward the future. And since construction is one of the few industries where the wage gap is pretty minimal, it can open up opportunities for a lot of people while benefitting your business with reliable workers."

Figure out how to be profitable.

This one seems obvious. After all, every business sets out to make a profit. However, understanding what it takes is trickier than it sounds.

"A lot of contractors got into this business because they're passionate about the craft and the trade. They're not necessarily business people. They may not understand finance or bookkeeping," Baiser said. "Knowing their numbers, having good bookkeeping practices and improving estimating accuracy are all integral to increasing profitability."

Hiring a good bookkeeper is necessary. But to improve your business performance, you really need a firm grasp on the numbers yourself. Working with a business coach or consultant is a good place to start. They can help you understand the ratios you need to maintain and the expenses you need to cover.

“There are a few people out there getting away with having great bookkeepers or CPAs on staff, but if a builder’s succeeding, they don’t just know their numbers – they own their numbers,” Reikowsky said. “You’ve got to understand your financial reports and know your debt-to-equity ratio so you can estimate appropriately. Estimating based on historical data isn’t good enough.”

Charge what you need to be profitable.

One trap that's easy to fall into is charging what you believe to be the industry standard rather than charging what you need to generate profit.

"A lot of contractors will hear other prices and say, 'I can't charge any more than that.' I'll tell them they can charge whatever they want as long as they sell their value. If you sell your value, you don't have to compete on price," Van Dyke said.

Baiser agrees that many construction firms are in a cycle of undercharging because they don't consider overhead costs, or costs not associated with a specific job, when estimating a project. These include office rent, insurance, computers and software, phones, utility bills, and any other costs required to keep your business up and running.

"Adequate and accurate estimating requires that you include business costs outside what goes into a specific job," Baiser said. "So many contractors are chasing their tails because they don't understand all the numbers that go into figuring out what they should charge to make a profit. Start by making an overhead budget by tallying up the money you spend each month to keep your doors open. Then you can spread those costs over the jobs you estimate."

Costs to Include in Your Overhead Budget

Office space

Insurance

Employee benefits

Phones

Computers

Utility bills

Gas money

Van Dyke says that knowing how much you should charge to stay profitable helps you maintain long-term balance, and therefore success, in your company.

“I call it the annoyingly simple business diagram,” he joked. “You have to stay perfectly balanced between the service you sell, the money you charge for it, the value you deliver and the profit that you make. When all of those things are aligned, the business stays balanced. If you don’t deliver on the value, you’re running a fraud. On the other hand, if you don’t make a profit, you’re running a charity. There’s nothing wrong with running a charity, but that’s not really why construction businesses are set up.”

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"If you don't deliver on value, you're running a fraud. But if you don't make a profit, you're running a charity."

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Build up capital reserves.

No matter how successful your business is, it's likely that you'll face an economic downturn in your career. Or a client will back out of a project. Or an unforeseen event will affect the supply chain and put you behind. In other words, you're going to face setbacks that are outside of your control. It's in your best interest to save enough money that you can thrive even when your revenue stream slows.

"There is no substitute for cash. Cash has to be king. If you aren't growing your cash reserves, you could jeopardize the future of your business," Reikowsky said. "A lot of people will tell you that two to three months of expenses is great to have. My goal has always been to have six months of cash reserves at any given time. It's the only way I can sleep at night."

Three to six months of cash reserves give you a good safety net to get through times of uncertainty. But cash on hand during downturns can actually give you a major competitive advantage.

“Companies that have healthy reserves can actually thrive through a down market,” said Van Dyke. “When everyone else is scrambling to get new customers, they can focus on their marketing strategy, hiring good people, and going after bigger and better projects.”

It sounds simple, but the first step is having the discipline to put money aside every time you generate a profit. Consider working it into your overhead budget, if necessary. Make saving a priority if you’re looking for long-term success.

“One of the biggest mistakes a contractor can make is to rely on luck,” Baiser warned. “You need to implement systems and budgets to sustain you. Luck runs out.”

Put processes in place.

“Every business owner’s dream is to have a business that can run without them. And to do that, you have to have the right systems in place,” Reikowsky said. “It takes a lot of discipline, but once you have processes in place, your job should be much simpler.”

Processes, or systems, are documented step-by-step overviews of how you complete tasks. We’ve talked a lot about them throughout this book, and for good reason. Chapter 2 detailed how they help keep projects on schedule, while chapter 6 discussed how they can help you survive market downturns. Here, we'll emphasize how processes can help you grow your business for the future.

Streamlining your business with repeatable, scalable systems will have a major impact on your bottom line. Statistician and forefather of modern American business, W. Edwards Deming, discovered that when a company experiences a costly breakdown or mistake, the vast majority of the time it's a systems failure. On the other hand, when a company runs smoothly and profitably, they most likely have successful processes in place. Because with detailed operational processes, you'll create consistency, predictability and efficiency — which will in turn optimize your productivity and profits.

"Systems allow you to focus on growing your business, rather than running the business," Baiser said. "They also help you maintain a healthy work/life balance. There are times when I look at a company's profit and loss statement and think they're doing great in terms of profitability. But as I dig in, I discover that they work 90 hours a week and haven't seen their family in months."

Baiser also notes that having systems in place also allows you to easily adapt if you lose a knowledgeable long-term employee or hire employees new to the industry.

“Clear processes help you move away from indispensable employees who may possess all of the knowledge regarding a certain aspect of the job. This is especially critical as the industry moves to younger workers,” Baiser said. “Plus, processes help contractors let go of some of the day-to-day responsibilities and get a little bit of their life back.”

Jason Mollak, president of JPM Construction, also notes that processes are particularly important as the industry looks to hire more people who may not have previous construction experience.

“Good employees are out there, but we need to teach them how to do the work our way, rather than look for people who already have experience," Mollak said. "Processes help new employees learn faster."

To start documenting your systems, think about everything that a project entails, and detail the steps needed to accomplish each task. You don't have to do it alone; invite your crew members to provide ideas and feedback. Once you have your processes written down, consider including them in an employee handbook for new hires to reference.

Quite possibly the biggest benefit of implementing clear systems is that it enables you to fine-tune your schedules.

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"When you can become a master of the schedule, more people are going to want to work with you and more homeowners are going to want to hire you."

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"The best builders are the best schedulers," Sedam said. "Really good builders are constantly thinking about how their decisions and systems affect different suppliers, trades and inspectors. When you can become a master of the schedule, more people are going to want to work with you and more homeowners are going to want to hire you."

Build Systems Around These Tasks

Interviewing job candidates

Project planning

Estimating

Permits and insurance

Site prep

Construction

Punch lists

Invoicing

Embrace technology.

"In the past, I've seen that contractors have been slow to adapt to new technology. But at the rate that technology is coming into the industry, we have to adopt innovations faster to avoid getting left behind," Van Dyke said. "If you're still pushing a lot of paper, that's a sign that you're probably behind the times. I recommend talking to anyone you work with between the ages of 22 and 34 and seeing what tools they're using. That's where your business should be heading."

Technology has made tremendous advancements over the past several decades, and that trend is not slowing down. Contractors who incorporate technology into their business practices today will have great opportunities to stay at the forefront of the industry in the future.

“Tech has completely changed how we work. Project management software and programs like Google Documents, Google Drive and Dropbox have allowed us to store and share documents quickly and easily,” Reikowsky said. “It has become so important for us in terms of our sales, design, administration and production because we’re able to update documents and information and make sure that it’s always accurate.”

Project management programs enable you to share daily job updates and photos with clients in real time, while keeping all project documentation accessible and organized from anywhere. And with the popularity of video meetings increasing exponentially, you can meet with clients remotely to save time and money.

"We've come to realize that you don't have to run out to a jobsite or a client's home to meet with people. Don't get me wrong, face-to-face meetings help close the sale. But leveraging virtual meetings and other ways to communicate can make the process much more efficient and cost-effective," Van Dyke said.

The popularity of virtual meetings has recently soared, and while they aren't going anywhere, there are still advantages to meeting in person, when safe.

"The goal of a virtual meeting should be to get an in-home appointment," said Elizabeth Howell, program manager for the Pella Contractor Program. "We've seen that while virtual appointments are effective, closing a sale is typically faster with face-to-face meetings."

Leveraging online payment is a step that many contractors haven't taken yet – but it's worth considering for the sake of efficiency and your cash flow. Services like Square and Payable are intuitive, affordable and easy to implement.

“Online payment is now very easy and secure,” Van Dyke said. “The days of running around town writing and getting checks are over.”

Implement sustainable practices.

Building sustainably can mean many things. It could refer to the project being airtight and thermally insulated for greater energy efficiency. Or it can mean that you’re using longer-lasting materials that won’t decompose. As homeowners become more invested in their health and the environment, sustainable building practices are going to be in higher demand.

“This increased focus on energy efficiency isn’t going away. More and more clients are asking for energy efficiency, and better indoor air quality,” Baiser said. “People are concerned about their health and also paying greater attention to their footprint. Contractors who are reluctant to adopt these new ways of thinking are going to be left behind.”

Baiser notes that while using high-performance materials is an important part of building sustainably, you should also consider how your order practices impact the environment.

“Think about where your materials are from. Do you think it’s better for the environment to order supplies from across the country or from down the road?” Baiser said.

Implementing sustainable building practices requires education on the principles of building science.

“Construction building techniques are moving toward more airtight construction. If you don’t do that with a level of knowledge of building science, you’re going to have mold and condensation in your walls,” Baiser said. “Building science is a huge part of sustainability, and to do it right, you need training.”

Webinars sponsored by local trade organizations can be a great place to start. There are also organizations dedicated to green building that offer extensive training and resources.

Baiser recommends looking to regional and national sustainability organizations for guidance regarding high-performance design and building.

Sustainable Building Resources

Passive House Institute

Green Building Advisor

Pretty Good House

Whole Building Design Guide

International Living Future Institute

Invest in marketing.

At some point, someone has probably told you, “Your business starts with sales.” But in reality, there’s another step that comes first – marketing. While it’s not unusual for contractors to get work through word of mouth, many are finding that targeted marketing efforts help grow their business faster and more effectively.

“Word of mouth can be powerful, but it can also be tricky since you’re not controlling the words people are saying,” Van Dyke said. “You can have a customer that says, ‘Hey, you should hire John. He does awesome work. He’s not that expensive.’ That is not the kind of word of mouth that you want. When you control your marketing efforts, you can focus on the benefits you provide and the value that sets you apart.”

There are many cost-effective platforms you can use to market your business, including social media, direct mail, newspaper and radio ads. But no matter what kind of media you choose, your message should be about the customer benefits rather than your company. As we discussed in chapter 3, addressing client needs in marketing is also a key to keeping customers happy.

“Most contractors like to talk about themselves and the work that they do, and the truth is their customers don’t really care,” Van Dyke said. “You need to identify your customers’ pain points first and show how you can make their lives better with the services you offer. Take a more emotional approach. Think about how your customers are going to feel after you finish their project. When you figure out what your message is and that it works, it's like pouring gas on a fire."

While you shouldn't rely on word of mouth exclusively, satisfied clients can be your most valuable salespeople — and reliable repeat business.

"Once you get a client, you should tell them, 'We don't want to give you a reason to ever call anybody else.' I want to be that first person that people call for any reason. Then I can make the determination whether or not that's a product or service that we want to perform for that client, or we can provide a service of connecting them with someone else," Van Dyke said. "From that point on, I nurture them. They're going on my Christmas card list, and I'm going to send them cards for birthdays and graduations. On top of looking for new clients, we're maintaining relationships with people we already know."

Mollak also recommends offering a "peek behind the curtain" on social media so that customers and vendors can engage with your business on a deeper level.

"Social media presence has really helped our company. It's opened up opportunities to team up with vendors, but more important, it's building trust among customers before we work with them," Mollak said. "We don't necessarily have to educate the clients on who we are and what we do. By the time they call us, they already know."

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"My clients are going on my Christmas card list, and I'm going to send them cards for birthdays and graduations. ... We're maintaining relationships with people we already know."

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Keep up with home trends.

As we discussed in chapter 3, staying up on home trends is critical for keeping a happy customer base. But it's also integral for planning for the future. For example, in the coming years, social distancing is likely to remain on homeowners' minds, and you'll see home trends reflect this.

"People are now realizing that if they're going to be in their home, they want their home to be more functional," Van Dyke said. "You're going to see a lot more people building home gyms and transforming bedrooms into home offices. I think square footage might also increase as people want to add more personalization within their homes."

"Right now people are talking about moving life forward with guarded optimism. You can help your clients determine what that means for them," Reikowsky said. "Ask questions like, 'Have you ever thought about outdoor spaces or an in-law suite that allows your family to be under one roof while maintaining privacy?' You'll find that a lot of your clients are considering using their homes in ways they never thought of before, which can be an absolute gold mine for builders right now. "

To get a better grasp of what homeowners in your area are craving, don't hesitate to ask them. Surveying past customers is a valuable way to discover what your business should be focusing on in the future.

“I call up former clients and say ‘I’m going to send a little four-question survey over. I’d love to hear your input. It’ll take you about 60 seconds. Would you mind?’ When you warm them up first, your response rate is going to soar. I’ve heard a lot of great things about our marketplace this way,” Reikowsky said.

Questions Reikowsky may ask include “What kind of projects are you considering for the future?” and “What features would make your living space more functional for your family?”

Van Dyke also recommends taking a deeper dive into the kind of innovations and products that drive customer desires.

“When the iPod was introduced, people didn’t know they wanted to carry 10,000 songs in their pockets. Steve Jobs told them they did,” Van Dyke said, “I like to stay up on all of the technologies out there by simply scrolling through social media and taking note of the ads I’m served. Ads are now more targeted than ever, so if you want to stay up on the latest and greatest, pay attention to what’s happening on Facebook and Instagram.”

Future Home Trends to Consider

Home offices

Home gyms

Additional square footage for in-law suite

Enhanced outdoor spaces

Natural light with expansive windows and patio doors

Consider legacy planning.

No matter how much you love your work, you likely plan on retiring one day. Which means in order to make sure your employees and customers are taken care of, you'll need a legacy plan.

If you have your mission and vision statements and clear processes in place, you can ensure that no radical changes occur after you leave your company. Of course, you'll want to designate a successor and make sure they are supportive of where you see your business heading in the future.

To start planning, talk to your lawyer and accountant. They can help guide you through the process to ensure protections are in place for your employees and the legacy you worked to achieve.

Now is an exciting time for the building and remodeling industry. Whether you're looking to hire new motivated employees or increase efficiency with the latest project management innovations, opportunity is everywhere. The businesses that embrace change and evolving customer needs are likely to see success in the future — and have the potential to become leaders in your market.

Sources

1 U.S. Bureau of Labor Statistics

2 The Radical Transformation of Diversity and Inclusion by Christie Smith, Managing Principal, Deloitte University Leadership Center for Inclusion, Deloitte LLP Stephanie Turner, PhD., Deloitte Consulting LLP.

Epilogue

DRIVEN BY YOUR SUCCESS

Recent struggles have taught our industry one thing: adaptability is essential. We hope that after reading "Building for Success," you have the knowledge and insights you need to make a plan for the future – and ensure your business can thrive through anything.

At Pella, we have a relentless commitment to your craft, through every challenge and every success. With that commitment comes services, tools and programs designed to keep you on the cutting edge of the industry and at the top of your market – when it comes to windows, doors and beyond.

Because we're looking toward the future for your business. And we're driven by your craft. Explore all they ways Pella can help you future-proof your business – and keep *building for success.*

Contact your Pella rep today to see how we can help your business achieve continued growth.

Pella®

Contributors

Contributing Authors

Fred Reikowsky

Fred Reikowsky is a certified professional business coach and principal of Legacy Business Leaders LLC. With 33 years of experience as a business owner in the residential construction industry, Fred understands the unique challenges trade professionals face. As a builder, he was a NARI Certified Remodeler, and he is currently a member of the National Home Builders Association and the National Kitchen and Bath Association.

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Scott Sedam

Scott Sedam is the president of TrueNorth Development, a consulting and training firm that has worked with more than 250 builder clients in 5 countries. Scott focuses on working with clients to improve product, process and profit while delighting customers. His award-winning column has appeared in Professional Builder Magazine for 23 years.

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Shawn Van Dyke

Shawn Van Dyke is a construction industry consultant, business coach, mentor and speaker. He travels the U.S., working with and training construction business owners on how to implement the systems needed to gather data, track performance and maintain profitability. After spending nearly 20 years in the construction industry and owning and operating several businesses, he left the C-Suite to focus on his mission: to change the way the world views the trade.

Check out Shawn's Built to Build Academy at builttobuildacademy.com.

Contributing Experts

Mel Baiser

Mel Baiser is a partner at HELM Construction Solutions – a construction management and consulting company dedicated to advancing high-performing building practices. With more than 15 years of experience as a carpenter, weatherization installer, project manager and estimator, Mel offers expertise in system creation, management and sustainability. They are also a BPI Certified Professional and Passive House U.S. Certified Builder.

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Ryan Francois

Ryan Francois is the president of Rally Cap Properties, a boutique real estate development firm. Ryan's work aims to enrich urban neighborhoods by breathing new life into dilapidated, neglected properties with integrity, design and quality workmanship. His restoration projects celebrate historic character while creating beautiful homes for modern buyers.

See Ryan's work at rallycapproperties.com.

Jason Mollak

Jason Mollak is the president of JPM Construction and a brand ambassador and author for Fine Homebuilding. His expertise ranges from residential remodeling to custom building, with a focus on carpentry, interior trim and cabinetry. Jason writes articles about topics such as installation techniques and best jobsite practices, and he's passionate about using social media to elevate the trade.

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Lindsay Tafoya

Lindsay Tafoya is co-owner of DMD Window & Door, the largest Pella Elite Certified Contractor® in Colorado. With more than 17 years in the industry, Lindsay specializes in matching customers with the right products and solutions and managing window replacement and remodeling projects from start to finish.

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Alan Pickett

Alan Pickett, AIA, is the director of architectural business development at Pella. He and the Pella Architectural Solutions team work closely with contractors and architects to provide education, product selection guidance, installation design, budgeting assistance and other services throughout entire projects. Prior to joining Pella, Alan practiced architecture in central Iowa.

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Jenn Tuetken

Jenn Tuetken is the manager of design and insights at Pella. As an industrial designer, Jenn has been closely involved in consumer research, idea generation and new product testing. She also has expertise in materials research, trend analysis, prototyping and 3D modeling. Jenn was a featured presenter at the NNAHB International Builders' Show, where she discussed social and cultural trends influencing homeowner purchase decisions.

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