



“ People issues cause more promising contracting companies to crash and burn than any other factor. ”

NO. 7: OWNER, OPEN YOUR EYES

PEOPLE AND PROCESSES MATTER MOST

Editor's Note: *Following is part seven of our eight part series called “Better Next Year,” by Fred Ode, CEO, chairman and founder of Foundation Software.*

The sky is falling! The sky is falling!” Unfortunately, many companies operate their business with this style of crisis management. Busy with urgent details and pressing decisions for their growing businesses, lots of contractors can only react to problems and then attempt to fix them. Sometimes these fixes have good results, but many times they create even more problems, which must be dealt with in a hurry.

Successful contracting companies, meanwhile, take a more proactive approach to management. Rather than rushing to solve immediate problems, they take a step back and look at the factors impacting their business. The most essential factors to evaluate and review are people and processes.

Evaluating People

In today's ever-shrinking pool of skilled workers, contractors can't afford to lose talented people, hire the wrong people or employ people in the wrong positions. Having “the right people, in the right seats and on the right bus,” a concept described by *Good to Great* author Jim Collins, is what matters most.

People issues cause more promising contracting companies to crash and burn than any other factor. Rapidly growing contractors often reach a crossroads when it comes time to hire more experienced workers, often because owners are reluctant to reassign employees who have been there from the start. At many organizations, misaligned jobs and people problems will grow in direct

Better Next Year— An Eight Part Series

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2. Hire Expert Construction Advisers
3. Understand and Use Management-Level Reports
4. Fine-Tune Project Management Reports
5. Improve Communication between Office and Field
6. Minimize Resistance to Change
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8. Commit to Ongoing Education

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proportion to changing business needs and market conditions.

So what about you? Do you have the right people working at your organization? And are they in the right role? Perhaps your spouse, who helped get your business off the ground, is no longer capable of handling all office functions. Maybe your estimator, who insists on doing manual calculations (as he's always done it), is holding the company back. Or perhaps you have a few bored employees who are looking for more challenging work or leadership positions. The only way to know for sure is with regular reviews and evaluations.

Measuring employee performance and aligning employees to roles where their skills will be most useful takes planning and effort. But the payoffs can be huge. First, employee assessments should include everyone—from owner and managers to laborers and

office staff. Second, understand that employees' skills, experience and training need to be checked periodically. Third, after considering employee skill sets, tailor training programs or make new job assignments. And finally, update and revise assessments regularly to ensure that employees' skills are keeping pace with the company's needs.

Not worth all that effort, you say? Then think about all the hours wasted and money lost by having people in jobs that they are not qualified for or not excited about. If it's beyond your abilities, consider specialized staffing and recruitment services to help ensure that new hires possess the skills and training needed to fulfill the company's requirements. Software and web-based skill assessment solutions are also available to help contractors manage their talent pool. Aside from matching the right people to the right

job, good assessment techniques can also lead to increased employee productivity, greater job satisfaction and a reduction in turnover.

Evaluating Processes

In addition to people, contractors need great processes to make them as productive and profitable as they can be. Most start-up companies initiate the basic processes needed to get things done and then never bother to evaluate. Successful companies analyze how all processes interact and then work to bridge the gaps.

So where does a contractor begin to evaluate the hundreds of processes that go into the numerous jobs in a typical day? Begin with the most obvious (sky is falling!) areas of inefficiencies. Your office manager, for example, complains of lost change orders and says she has no way of knowing which change orders have

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been billed or approved. Evaluating your procedures from the field to the office, you may find a breakdown in the way managers are submitting and documenting change orders, or perhaps your accounting software cannot track and report change orders to your requirements.

Not every inefficient process is easy to identify. For example, jobs have doubled this year at your growing company, and your job cost report shows nearly all are on budget. With access to historical data, however, you determine that labor productivity has slipped significantly over a three-year period, resulting in lower profit margins. Now, your attention shifts to estimating processes, and so on.

Evaluating all business processes, from the obviously inefficient to the seemingly flawless, will keep you on a steady path of improvement. The goal is to aim for perfection and never

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assume that the way you are doing things now is the right way. When it comes to efficiency, most construction companies have plenty of room for advancement.

Just as a solid foundation provides for a stable construction project, it takes great people and great processes to build a great construction business. Owners need to take the time to step back, avoid crisis-only management and evaluate the two most important internal business factors. In order to become better next year, be sure to put people and processes at the top of your priority list. ■



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