

March 2002

Ohio Valley NARI presents an interactive workshop "How to get your business organized, systematized and under control"

Imagine your remodeling company running smoothly and seamlessly – steady referrals coming in, profitable jobs being sold, projects running without a hitch, your clients delighted with the service. Everything a model of efficiency.

Now picture all of this happening while you're spending some quality time with your family. Or playing a round of golf, fishing, or watching the ball game on the tube. Impossible? No, it's reality when your remodeling business is organized and systematized.

One of the hottest issues in the industry...

When your business is organized and under control the quality level of your jobs



Call to RSVP

Where: Cincinnati Marriott North at Union Center Boulevard
When: March 11, 2002 at 3:00 p.m.
Dinner meeting at 6:30 p.m.
RSVP: Ohio Valley NARI at (800) 498-NARI
Cost: \$49 (members) - workshop
\$20 (members) - dinner meeting

goes up. Your clients are happier. You get consistent reliable performance from your support team. You dramatically cut down on waste and inefficiency. Training new-hires is a snap.

And if you should ever want to sell your company, the value of your business on the market will skyrocket. It just makes sense that an organized, efficient, systematized business would be worth a lot more money than one that was run by the "seat of your pants."

Because these are some of the hottest, most widely discussed issues in our industry, Ohio Valley NARI has sought out the nation's leading authority on getting a remodeling business organized, systematized, and under control.

The industry's leading authority on systematizing comes to Cincinnati

Ohio Valley NARI is pleased to present systems "guru," David Lupberger. Dave will be hosting an interactive workshop where he'll show you how to get your business systematized and under control.

Dave Lupberger is regarded as our industry's leading authority on organizing and systematizing. Dave also runs a successful design/build firm in the Washington D.C. area. In addition, Dave is a columnist for Qualified Remodeler magazine, and he's a regular speaker at major industry events like the NAHB Remodeler's Show, Remodel America, JLC Live, and many more industry events.

Dave used to struggle in his remodeling business – routinely working 65-70 hours per

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Growing pains: Avoiding the pitfalls of expansion

We all remember those awkward years of growing pains where it seemed like every lesson was learned the hard way. Mom and Dad always tried to tell us about the pitfalls around every corner, but their advice seemed outdated, and we chose to learn our lessons the hard way. Unfortunately, business doesn't work that way. In business, if you learn your lessons the hard way, you will find yourself out of business very quickly.

With so much at risk, how do you know when it's time to expand your business, and how do you avoid jeopardizing a currently successful operation? Start by assessing your company, your goals and the risks associated with expansion.

To Grow or Not to Grow?

According to Dr. Thomas C. Schleifer, consultant and author of *Construction Contractors' Survival Guide*, when a contractor decides to expand his business, timing is everything.

"If a company has been stable for a while and profitable, then to grow and do more of it makes sense," says Schleifer. "If a company is marginal, then there's little sense in growing." If your company is not operating at performance levels standard in the industry for similar-sized companies, then Schleifer says you would do better to focus internally and become disciplined, then "move out." Schleifer says being ready to move out "means having enough financing and quantity and quality of management to handle additional work." Contrary to what many assume, growth is not always good for contractors.

"If you look at contractors who have financial difficulty, the majority of their problems are growth related," says Monroe Porter, president of Proof Management in Richmond, Virginia. "All the problems that you had when you were small magnify themselves over and over."

For this reason, expansion is a decision that needs to be examined thoroughly, meaning

several factors must be considered and researched at length: Why do you want to expand? What do you hope to gain from expanding? How are you going to expand? "It's important to remember that an acquisition or expansion is a means of accomplishing a goal," says Ben Brahinsky, director of mergers and acquisition at FMI. "It's not the goal itself."

Ways To Expand

Once you've answered these questions, your next step is to decide the best route to take to expand your business. The two most common tactics are expanding your existing business and buying other similar companies. Both have their advantages, but one common element holds them together — staying with the familiar. Regardless of the path you choose, it is imperative that you stay in the niche you know.

Common Mistakes

In any expansion effort, you will make mistakes. The most common is not preparing for the worst.

"Make sure you have enough capital to play 'What if,'" Porter stresses. "What if you lose money for two years? Can you afford that? What if you get a bad job? That's a lot easier to play than 'Oh, no!'"

Some of the most common mistakes contractors make when expanding are buying businesses that are outside their core competency, outgrowing their employees and production, overextending the company's financial resources, overextending management capabilities and simply installing their own systems and processes as opposed to using the best existing methods of each company.

Risk Factors

You may or may not make these mistakes, but you will encounter certain risk factors. Some of the risks are moving into unfamiliar

territory, losing key employees, financial problems, spreading your team too thin, and the possibility of losing what was once a successful, profitable business. One of the greatest risks is expanding too quickly.

“Construction has always been a business that is really risky,” says Porter. “You have to fight the weather. You have competition. You have rules and regulations. When you start to expand quickly, the odds go up that you’re going to get a bad job, and it’s not uncommon to find that one job loses more money than the contractor made in the rest of the business.”

Another significant risk is losing your new key employees because you alienated them by installing your own systems and processes. “Frequently, in a merger and acquisition, some of the key people will leave because they’re not comfortable with the new management, and what you end up with are a lot of problems,” Porter says. “Construction is a people business, not an asset business. It’s important to remember that the people who are good at buying businesses aren’t necessarily good at running them.”

Setting Yourself Apart

With so much at stake, how do you survive? Here are some tips to help you stand out from the competition:

- Value your employees. “You’re actually buying the people and you have to treat them well,” says Schleifer.
- Study the market, get credit reports, make a list of the area’s key players and talk to the people in the community. “In the course of a couple of days, a consultant can figure out who the players are, how the market is and what’s going on,” says Porter.
- Earn the reputation for being on time, on budget and easy to do business with. “Trying to make the process easier on the owner and the general public seems to be the best sales and marketing tool which would differentiate companies,” says Schleifer.
- Do your homework. “I think anybody, before they acquired, would do themselves a great service if they understood better the process of value expectations — educate yourself on

the acquisition process, the acquisition climate, the changes impacting the construction industry,” says Brahinsky.

If you grow cautiously, slowly and wisely, you can dodge the brunt of the growing pains most construction companies suffer. Learn your lessons from other companies’ mistakes, and instead of dealing with awkward growth efforts, you could find yourself the most popular kid on the block.

Reprinted from contractorresource.com.

Nouns with gender

From the *Washington Post* Style Invitation, in which it was postulated that English should have male and female nouns, and readers were asked to assign a gender to nouns of their choice and explain their reason.

The best submissions:

- **Swiss Army knife** (male), because even though it appears useful for a wide variety of work, it spends most of its time just opening bottles.
- **Kidneys** (female), because they always go to the bathroom in pairs.
- **Tire** (male), because it goes bald and often is over-inflated.
- **Hot air balloon** (male), because to get it to go anywhere you have to light a fire under it... and, of course, there’s the hot air part.
- **Remote control** (female), Ha! . . . you thought for sure it would be male. But consider, man longs to hold it, he’d be lost without it, and while he doesn’t always know the right buttons to push, he keeps trying.



Coming Events

April 11, 2002 - 6:30 p.m.

Cincinnati Marriott North at Union Center
Rob Franklin with James Hardie
HardiPlank Siding

March education (continued from page 1)

week, completely consumed with all of the day-to-day hassles and headaches. After taking on two jobs that nearly bankrupted him, Dave realized that he wasn't running his business, his business was running him.

Once Dave discovered how to use systems and standard operating procedures in his remodeling business, he quickly eliminated the 14-hour days, the hassles and headaches, the miscommunications, and the little "annoying things" that drive remodelers crazy! Now Dave is showing remodelers all over the country how to do what he did – how to "turn-key" their remodeling firm so their business runs on systems and not on individual personalities.

The workshop will be held on Monday, March 11, from 3-6 pm at the Cincinnati Marriott North at Union Center Blvd. For NARI members the cost of the seminar is only \$49. For \$69 you can stay for dinner and Dave's evening presentation. But the evening program won't be a rehash of the workshop.

The dinner meeting topic is dealing with the emotional homeowner. Dave has literally written the book on this subject. It's called *Managing the Emotional Homeowner: The Remodeler's Guide to Happy Customers*. Dave will give about 45 minutes worth of advice on this subject. We'll have to buy the book – it's available at amazon.com – to get the rest.



Ohio Valley NARI

Serving the Cincinnati Metropolitan Area

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THE NARI RENOVATOR

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The Ohio Valley NARI newsletter, *The NARI Renovator*, is produced by Ohio Valley NARI as a service and benefit to its membership. The organization's office is located at 136 South Keowee Street, Dayton, Ohio 45402; (800) 498-NARI or fax (937) 222-5794.

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Put this date on your calendar and plan now to attend both the seminar and the OVNARI dinner meeting. Please note that to accommodate Dave's packed schedule the seminar and the March meeting are on Monday, March 11, instead of the usual second Thursday meeting date.

FOR SALE

Hewlett Packard 700, Fax/copier, uses plain paper, programmable, three extra ink cartridges included and a reink kit. Originally bought in 1995 for \$550. Hardly used in the last two years. Will sell for \$100 and also have two HP 51645A ink cartridges for \$5 each. For more information contact Steve at 513.984.6568.

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