

# Communication: The Key to Remodeling Success

Two case studies show that the road to business ruin is paved with poor communication

by Henri de Marne

Accomplished craftsmanship, good estimating skills, and the luck of being in a good market are not enough to guarantee success in the remodeling business. If the three key words of the real-estate business are location, location and location, the three key words of success in remodeling are communication, communication and communication.

Of course, you also need to establish your game plan—specific strategies for controlling your business and meeting your obligations—and to develop well-defined yet flexible goals and keep them in sight. Without these strategies, you may find yourself frazzled by the demands of a growing business. And yet, time and again, I see remodelers fail primarily for the lack of one key ingredient: communication, with both their workers and their customers.

Two case histories drawn from my own experience illustrate this. Despite some of the elements of success, one business ended in failure, and the other is struggling to survive. Both show the problems faced by most remodeling contractors at one time or another and suggest ways to avoid them.

## Joe

One of the finest craftsmen I ever knew—I'll call him Joe—left his employers to start his own business. He was located in a stable market with high-income customers who demanded a lot and were willing to pay for it. Joe had a good reputation and, because of his low overhead, could save his clients money, so he quickly had a lot of work (which, of course, he had taken from his previous employers).

But Joe never was much of a communicator; in fact, his former employers had problems assigning anyone to work with him. Surly and critical of those less skilled or knowledgeable than he, Joe had no patience with them and no desire to teach what he knew. (He once declined to share his "secret," lightning-quick formula for computing stud sizes and angle cuts, claiming that if he told me, I no longer would need him.)

So instead of earning the admiration and loyalty of those working with him, he so aggravated people that no one wanted to work under him.

Shortly after he started working on his own, Joe began to call his former employers for help—initially for advice on how to get out of his predicament, then to ask for his job back (he didn't get it). He was arguing with customers over extra charges for work he claimed they had ordered, or for items they believed should have been—but were not—included in his bid. He had failed to clearly communicate in

writing—or even verbally—what was and wasn't included in his bid.

Joe also neglected to specify in writing how payments should be made. Thus, the owners often balked at his urgent, last-minute requests for payments and sometimes delayed honoring the requests for weeks. This played havoc with his cash flow and prevented him from paying his bills—and workers—on time. As a result, his suppliers stopped sending materials on credit, and his subcontractors began to bail out.

He could not keep his workers or meet his payroll. He no longer is in construction.

## Why Joe Failed

How did it happen?

A big part of Joe's communication problem was that he did not enter into detailed, formal contracts with the owners, preferring instead simply to call with a price on some jobs or write a brief letter stating the price.

What he *should* have done, of course, was send a detailed outline of the work to be done, along with a contract stating the total price, the payment schedule, the starting and completion dates, an amount for certain allowances, and the respective responsibilities of each party throughout the construction period and for at least a year afterward.

The agreement also should spell out any specific work that is not part of the contract or for which the contractor is not responsible. Two important clauses—one limiting the contractor's liability when unforeseen (and *unforeseeable*) conditions arise and another outlining the procedures to be followed when changes to the contract are needed or requested—should be included as well. Since all change orders delay the completion of the job, this fact should be noted in the contract to avoid problems later.

Only when a contract is this thorough can a contractor be reasonably well protected from misunderstandings. In Joe's case, a better contract might not have saved the business, but it certainly wouldn't have hurt.

## Dan

There is a tendency for contractors to take on everything that comes their way during good times. It's a normal reaction in this feast-or-famine business. But does it pay?

"Dan," another contractor I know, has a pleasant personality and an excellent crew, and he always provides customers with complete, clear contract documents. He generally starts his work when he says he will, and he bids fairly, competitively and accurately. His business, less than six years old, has steadily increased thanks to recommendations from past customers.

But lately Dan has become frazzled—a

victim both of his own success and of the boom in building and remodeling. His problem: he can't say no.

For the last few months, Dan has been unable to keep his promises. He generally starts his jobs on time, but he has trouble *finishing* them on time, because too many overlap. To add to his problems, the jobs are widely scattered, as often is the case in rural areas.

In his defense, it should be noted that many of the jobs Dan takes on start out with well-defined limitations, only to become bigger than anticipated in the original contract. Although he does issue fixable change orders, they primarily serve to compound his already strained schedule.

But change orders are a fact of life in the remodeling business. You either refuse *all* extra work and stick faithfully to the original agreement (and incur resentment from your customers), or you take on additional work with a change order priced to reflect not only the actual cost of the change, but also *the costs of any*

your schedule, completion dates start slipping, goodwill begins to erode, and complaints take their toll on time, energy and future recommendations. Soon, chaos reigns.

Unless they take the giant step of finding a suitable partner, small remodeling contractors should limit themselves to the work they personally can seek, estimate, sell and supervise to satisfactory and timely completion.

Dan's experience demonstrates the importance of controlling *each and every* job in minute detail. This means communicating your intentions—your need for changes—to your customers. Always remember that *their* job is the most important one you have going.

Make it an absolute rule to keep *all* of your customers apprised of your actions relating to their jobs. If you can't start when you promised or you're going to be late one day, call and say so. Suggest an alternative, and ask whether it's convenient.

Juggling several jobs requires skill, organization and, again, communication. When you start a job, make it a point to tell your customers that you may have to pull workers from their job to finish another one, but assure them that you will pull workers from other jobs when there is work to be done on theirs.

Accept change orders for additional work, but let your customers know that you may have to honor them later because of other commitments. Take care of any warranty items promptly during the warranty period, and if items crop up after it has expired—and they will—handle them as soon as possible. Judge for yourself whether a charge should be made, and let your customers know it *before* the work is done. Accept the fact that sometimes it is better to eat the cost than to argue about it and lose valuable goodwill. And handle punch-list items immediately to retain and even increase the goodwill toward you and to avoid extending your warranty obligations.

Finally, if you have to say no, learn to

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delays it causes.

Dan, of course, kept taking things on. He promised customers he would start their jobs on a certain date, so he had to get materials—and perhaps a crew removed from *another* job not yet completed—to the site. This juggling became more difficult with each job, turning his schedule (and his customer relations) into a nightmare. The owners began to complain about even the smallest things. Not surprisingly, problems with final payments began to occur, with owners withholding sizeable sums (often beyond the amount of the work remaining to be done) on a number of jobs. Short of cash and increasingly desperate, Dan soon found himself agreeing to unwarranted repairs or adjustments to his bill in exchange for payment.

## Controlling the Job

Rehab work for the private sector is very labor-intensive and requires the attention of the principal at all times. If you run your own firm, you can only handle so many jobs at once. If you overload

do it with tact and finesse, and turn it into an asset.

And, never forget that goodwill lost, for whatever reason, is very hard to regain and is extremely costly to you. Remodeling is particularly sensitive to word-of-mouth advertising. One satisfied customer can lead to several other jobs, but one dissatisfied customer can tarnish your reputation and be responsible for the success of your competition—at your expense. ■