

By Brad Cruickshank

Group Therapy for Remodelers

How one remodeler improved his business after an intensive review by his peers



Sometimes the best way to solve a business problem is to get some advice from outsiders. That's the idea behind Business Networks, a Florida-based company that pulls together small groups of remodelers of similar size and orientation from different parts of the country to share common problems and explore solutions. The groups meet semi-annually with members rotating responsibility for hosting the sessions. While the principals from each firm have an opportunity to discuss their business worries during the intensive two-and-a-half day session, much of the group's attention is focused on the host company.

Members take a hard look at the host's business, analyzing everything from management style and financial statements to employees and client base. Their criticisms, which can be harsh, as well as their recommendations and praise are offered throughout the review. At the conclusion, the host is provided with a list of suggestions for putting his or her business on course.

During a recent session it was Atlanta remodeler Brad Cruickshank's turn to host his group of five companies, all general remodelers with volumes under \$1 million. While opening the doors of his business was frightening, Cruickshank came away from the meetings with a new sense of direction and plenty of good ideas.

Architect and builder Brad Cruickshank reviews plans at a job site.

I joined Business Networks a year and a half ago on the recommendation of another remodeler. While local chapters of trade organizations, such as the National Association of the Remodeling Industry, are a good place

to gain some perspective on the industry, remodelers are reluctant to trade secrets with competitors. Since I'm fairly new at the business, I thought the network would provide the kind of interaction I needed.

Before the group came to Atlanta last November to review my business, I was involved in the reviews of two other member companies, one in Boston and one in Louisville, Ky. I picked up a lot of ideas at both of these meetings. In the process, I also gained a lot of respect for the other members of my group. They serve as a sort of unofficial board of directors for me. In fact we call each other rou-

tinely to talk about ideas and problems, or just to commiserate about the remodeling business.

Even so, having my own firm reviewed was unnerving. My company is such an important part of my life, having other people critique it made me feel exposed. It's not a process you can prepare for, like taking an exam. You just have to keep reminding yourself that your group members are trying to help you reach your goals, not looking for your faults.

I came away from the review with a list of 39 suggestions for ways to make my company more efficient, more profitable, and more cohesive. These were prioritized for me according to what the group thought was most crucial to my company. Some of the suggestions, the group said, should be accomplished within six months. The rest could wait a year or two.

While the review itself was difficult, the fact that I have all these suggestions to implement is daunting. Some of the ideas I discounted right away, either because I feel uncomfortable with them or because

Crew members Jim Kearney, at left, and Tim Joyce at the site of an Atlanta addition.



they just don't agree with my business philosophy. But that's the beauty of the review: You pick and choose the suggestions that will be most helpful.

Supervising jobs. My crew consists of three "lead" carpenters, each of whom trade responsibility for supervising smaller jobs while I take charge of the big jobs, such as the whole-house remodels. I switched to the rotating lead after a bad experience with a single lead carpenter (whom I fired shortly before the review). This lead man grew increasingly lazy and irresponsible and made it hard for us to meet deadlines. I also learned he was hurting the crew's motivation by insulting the other carpenters and overlooking useful suggestions they made.

While some members of the network suggested that I streamline production by designating only one lead carpenter, I prefer to continue rotating the supervisory role. While this may limit my growth, I feel it gives everyone a better understanding of how important schedules and budgets are. I also don't like the risk of putting all my jobs into someone else's hands. It leaves you wide open to a host of problems.

On almost all our jobs, I hire the subs and provide the carpenter with a materials list. Since the review I started including a detailed scope of work for all jobs, large or small. This includes everything from who obtains the building permits to the make and model numbers of the faucets we're using. This helps the carpenter to understand what tasks make up the job and it reassures me that the job will be done correctly.

Employee relations. My first priority after the meeting was to improve communications with my employees. I was surprised to learn at the networking session that, although I often work alongside my crew in the field, they don't feel I

relate to them well.

For one thing, I use a lot of engineering and architectural terminology that my employees don't understand. The networkers pointed out that, while there's little I can do to change my background or my training, it creates some distance between my employees and myself.

Another networker, who had a similar problem with his crew, suggested I try eating lunch on site once a week or so with each of my different employees. I've found this helps me get to know them better and gives them a chance to communicate one-on-one with me.

Alternating responsibility for the jobs has also helped resolve our communication problem since it gives each of the carpenters a chance to work closely with me and understand what I expect from them. At the same time, I make it clear that when I'm on the job, I'm under the direction of whoever I've put in charge of that job.

Office management. Some members of my group said it's time to hang up my tool belt and stick to office work. That may be a more effective use of my time, but I still enjoy being out in the field. So, I took one networker's advice and hired office help instead. I still do the sales, marketing, and design work, but I let my office help attend to the day-to-day details and paperwork.

I use an IBM-compatible computer for generating proposals and plan to invest in some project management software. One networker uses MacProject (Claris Corp., 5201 Patrick Henry Dr., Santa Clara, CA 95052, 408/727-8227) on his Macintosh to generate flow charts, which he then gives to employees and clients. These charts are a great way to illustrate the remodeling process to a client and they serve as a good scheduling tool for employees and

subs.

Marketing. One of the best suggestions I got from the review is to "mind my backyard." In other words, I'm spending too much time chasing new clients instead of cultivating those who are already familiar with our talents.

One of my problems is that although I have an affluent clientele, I get a lot of small jobs instead of the high-end work I prefer. The networkers suggested that I get more aggressive and "toot my horn." As a result, I'm developing a mailing list of former clients so I can send them notices of awards and achievements.

Also at the suggestion of the group, I've developed a great-looking presentation book with photos of some of my jobs, articles written about us in regional magazines, lists of references, and a reprint from a national magazine that includes a brief summary of my background. I plan to send condensed versions of the book to area architects and designers and to include it with proposals larger than \$50,000.

At an earlier network meeting we talked about the importance of looking professional. As a result, I decided to have a professional letterhead, cards, truck graphics, signs, and a logo developed for my company. People recognize my graphics and remember them.

Sales. We didn't talk much about sales technique at my review, although we did discuss the importance of personal contact, especially when your company is young. I've found it best to provide a detailed proposal on all jobs, large or small. This convinces my clients of my professionalism and credibility.

I generally write a scope of work after our first meeting. Once I'm satisfied that I've included everything the client wants, I work up a proposal and present it in person. Once the job is underway, I try to show up often. It's good marketing for my clients to see me out in the field pitching in (another argument against hanging up my tool belt). And it indicates I have a personal interest in their job.

Since most of my bigger jobs come from a local investment company that hires me to renovate old homes for resale, some of the networkers said I need to develop other streams of revenue. While the relationship with the company is good, my group was concerned that I was putting all my eggs in one basket.

While I was aware of this before the review session, the networkers gave me some good ideas. At the suggestion of one, I recently became a certified Pella Window contractor. It's not something I want to do full-time, but it's a good way to bring in some extra work and some referrals.

Estimating. Getting my estimating under control was a priority after the review session. Some of the networkers suggested I raise my markup from 1.35 to 1.5 to cover any inaccuracies in my estimates. To me this is

About Cruickshank Inc.

- **Background.** Unlike many remodelers, I didn't get my construction experience by working my way up through the trades. I'm an engineer and a graduate of Yale University's architecture school. As a practicing architect, I found it frustrating to be so distant from the actual building process. So in 1988, with a \$30,000 loan, I started my own design/build firm.
 - **Volume.** In my first five months in business, I produced \$65,000 in gross sales. By last year, that number was \$525,000. In 1991, I hope to do about \$600,000.
 - **Typical jobs.** We're pretty well limited to residential work, although we run the gamut from small jobs, like hanging screen doors and window replacements, to luxury bathrooms and kitchens. We also do complete remodels of older homes, some of which have run upwards of
- \$200,000. Ideally I'd like to do more high-end remodels with emphasis on design work. I don't intend to eliminate small jobs since they're a good way to service established clients and get to know some new clients.
- **Company structure.** I employ three full-time carpenters and one part-time office person. The carpenters take turns managing the small jobs while I manage the big jobs. I also handle the sales, marketing, and design work and try to get out in the field a couple days a week. My office help takes care of the paperwork.
 - **Clientele.** Almost all of our clients are professionals living in Atlanta. I also work with a real estate investment company that hires my firm to design and renovate the properties they purchase for resale.
- B.C.

a shotgun approach. It means you don't know your numbers so you're simply raising your prices. I'd rather know where the problems lie so I can be more accurate next time.

My trouble was getting my labor estimates on target. Some of the networkers recommended I add specific hours for tasks previously unaccounted for, including cleaning, unloading materials, warranty work, and punch out. I've also started to include supervision time and hours spent on managing subs. I've found the lead carpenter on a job can spend several hours telling the plumber, the electrician, and the painter what to do.

My employees also spend a lot of time running to the lumberyard for supplies. This is especially true with all the small jobs we're doing. One of the networkers suggested I try a

"one invoice per job per week" policy and reward anyone who achieves this with dinner at a local restaurant. The policy encourages employees to think ahead and buy all they'll need in one trip. While it hasn't worked at my company so far, I intend to keep trying.

After the meeting I decided to create my own variable markup system. I'm still working on the numbers but I can see where you need at least a 1.5 markup to make a profit on smaller jobs while you can get by with a 1.3 markup on jobs of \$25,000 or more.

Incentives. With the help of my office assistant and at the urging of the networkers, I recently implemented a bonus program — something I've wanted to do for a long time. So far, we haven't made

enough to pay out anything. But the way I see it, if I can make my numbers as a company, there's no reason not to share what's left over with my employees.

It's crucial that I get my estimating in line since the bonus program depends on it. If a job comes in as estimated, there are no bonuses. But if it comes in under budget, anything left over will be divided up by whoever worked on that job. My employees will decide for themselves who gets what percentage of the money, based on the hours they worked and how much responsibility they had.

Down the Road

Right now my company's at an awkward stage in its development. I'm being pulled in a lot of different directions and need to be more focused. For instance, I'd like to get more selective about the jobs I take. Where my company shines is on the high-end specialty work and jobs that involve a lot of unusual design. I'm not as competitive on things like sunrooms or standard repair work. But until I get more established, I have to bid these kinds of jobs.

I'd also like to find an employee who could handle more of the production and management work for me. Right now, shifting responsibility for job management among my three carpenters is fine. But as we get some larger jobs, I'd like someone who could help me with them.

Finally, I've made some progress on the suggestions I received at the November meeting, but I have a long way to go before I get my business where I want it. It's not my goal to be at the helm of a giant remodeling firm. I've seen some of the problems that come with growth and I'm not sure that's what I went into business for. I'd rather get 10% of my gross as pre-tax net profit on a volume of \$500,000 than earn 5% on a \$1-million volume. ■

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