

## Preface

# What you can learn from this book

Most general contracting firms start small—formed by smart and ambitious construction project managers, executives, tradesmen, and occasionally even students right out of construction training. But as accomplished as they may be at what they've been doing they are not likely prepared to take on the range of responsibilities forced on them in managing the business of construction in its entirety. I believe this is the primary reason for the high four-year failure rate that start-up contractors in the United States face. According to research published by the Office of Employment and Unemployment Statistics, US Bureau of Labor, by Amy E. Knaup, only about 43 percent of US construction firms that started up in the second quarter of 1998 were still in business four years later.

A contractor or someone planning to become one can better these odds by identifying and managing the elements of risk. This book offers that opportunity. It is based on the things I've learned, used, and refined as a commercial general contractor in the course of starting and operating my own construction firm<sup>1</sup> for twenty-five years. It spreads these tools and the reasoning behind them out on the table, makes suggestions for their use, and offers a proven business philosophy—knowledge a contractor can set in place from day one to put his construction business on a level playing field with the best-run companies. The information presented here is born of missteps as well as best steps, and both are instructive in building a business that is profitable, enjoyable, and enduring.

My guiding theme in planning and writing this book has primarily been to make available in one place as much as possible of what I learned the hard way (due to

<sup>1</sup>Ganaway Contracting continues after more than thirty years, under new ownership at the time of writing, and has also operated as Ganaway Construction.

not knowing enough in the beginning about running a business despite having an engineering degree and several years' experience on the project-owner side of construction) so that interested readers may minimize the pain and risk that rush to fill the knowledge void. Of course, not all risk can be eliminated in construction or in any field, but that risk certainly can be managed if its elements are identified and understood.

Secondly, this book also makes the case for niche contracting, especially chain stores and other light-commercial construction. Niche contracting, or specialization, is a strategy that allows a contractor to become more knowledgeable in a field, be seen as an insider, perhaps sought after, more profitable, and better satisfied with his place in construction. These chain store characteristics practically beg the innovative general contractor to focus on chain store construction. It is my experience that the bid lists are shorter, profit margins higher, negotiated work more common, and owner-contractor working relationships a lot better than are usually found in the open-bid private or public work in which bid error is often the factor that determines the bid-winning contractor. (Note that I did not say determines the "successful" contractor.)

The business management principles and techniques presented throughout this book apply to light-commercial building contractors, subcontractors, and to owners of any small business, regardless of industry.

Here are some of the specific issues discussed in this book:

- How to know whether you're cut out to own and run your own business
- What you must know and do as the owner of your construction firm
- The clear advantages of specializing within general contracting
- Ways you can target, check-out, land, and retain profitable customers (the lifeblood of your company)
- How to select, hire, and keep golden employees (the heart)
- Terms and conditions to include in your bids and your contracts with owners to reduce the chance of disputes and misunderstandings
- *Commandments* you must follow to best ensure that you will be paid what you are owed, including step-by-step change-order procedures necessary to avoid disputes and non-payment
- The strict do's and don'ts of mechanics' liens

- The What, When, Where, and Why of licensing and registration and the extreme risk you take if you ignore the rules
- Terms detrimental to contractors that are often present in owner-prepared construction agreements
- Subcontract terms and conditions most likely to result in best outcomes
- What must be done administratively before you break ground on a project
- Proactive selection and use of accountants, lawyers, and insurance agents to steer you through the minefields in their areas of knowledge
- The common, sometimes fatal judgment errors contractors make, often during their most profitable times
- The potentially ruinous pitfalls to avoid in insurance coverage
- Why a strong reading habit is so important to your success
- The personal philosophy and attitude required for success in construction
- Corporate organization and administrative methods
- Links to useful construction, government, and other resources online
- The supreme importance of the human factor, as seen most clearly in chapters exclusively devoted to describing the contractor's role as owner of his firm, selecting and keeping the right employees, marketing, creating customer loyalty, assessing the required personal characteristics contractors must possess, and selecting the right outside professionals

This book is sprinkled with personal anecdotes wherever they can be used to strengthen a point and with pertinent quotes by recognized leaders.

Whether you're a contractor or a key employee, a subcontractor, student or even a chain store executive or businessman in an entirely different field, I promise that you will find ideas, techniques, and principles you can transfer immediately to your management and leadership toolbox. Adopting even a single one of them will pay dividends now and for the remainder of your career.

One indicator of the potential effectiveness of this book is that many of my former project managers who cut their teeth at my construction firm on the principles described here and in turn helped to refine them, now own and operate their own successful firms—largely patterned after the one they trained under and contributed to for years.

Now I invite you to travel with me through this book. The knowledge and references you gain will return the time you spend here many times over in the

years to come. It will also have lasting value as a book of reference and for use in training key employees.

While you can start anywhere in the book that applies to a particular need, you will benefit most from the global effect of the entire book.

This book refers to certain business and government organizations specific to the United States. Appendix 3 describes their counterparts in the United Kingdom, other European countries, and Canada.

To avoid distracting the reader's eye, I have avoided construction such as "he and she" and "him and her," the alternation of "she" and "her" with "he" and "him" and the ungrammatical "they" and "them" as neuter singular pronouns. Rather, I use the nonexclusive "he" and "him" to refer to a person.