



SHEET METAL & AIR CONDITIONING
CONTRACTORS' NATIONAL ASSOCIATION

Understanding a Contractor's Business

What makes or breaks a contractor?

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How Risky a Business is Construction??



Financially - # 10
Safety - #2

Composite risk score (higher = more risk): 47.1

1- year survival rate: 82.9%

2- year survival rate: 71.8%

3- year survival rate: 65.4%

4- year survival rate: 63.6%

5- year survival rate: 58.6%



Why do Sheet Metal Contractors start their Business?





We love to Build!





What do Sheet Metal Contractors need to focus on to survive?

Get Work



Do Work



Keep Score





Get Work

1. Know your customer before you bid to them
2. What's in the Bid Package?
 - Know the specifications
 - Review the construction drawings for constructability, scope and details
 - Can you get the material in the timeframe you will need it (supply chain issues)
3. Review deadlines
4. Any issues with material lead times? Supply chain challenges.
5. What type of contract?
 - Design-Bid-Build (Plan/Spec)
 - Design/Build
 - IPD
 - Negotiated





Get Work

6. Know your workload – this can determine your fee.
7. Business Development – building relationships.
8. Review the Terms and Conditions of the contract.





Do Work

1. Planning the project - have an execution plan.
2. Communication – set up a path for the team to communicate.
3. Supply Chain Issues – get material and equipment ordered early
4. Poor documents – drawings, specs, contract documents etc.
 - Change orders are almost never a win
 - Document these issues and know the contract and time frames required.
5. Weak GC's –
6. Delays – the most common risk in construction
 - Causes out of sequence work – lost productivity





Do Work

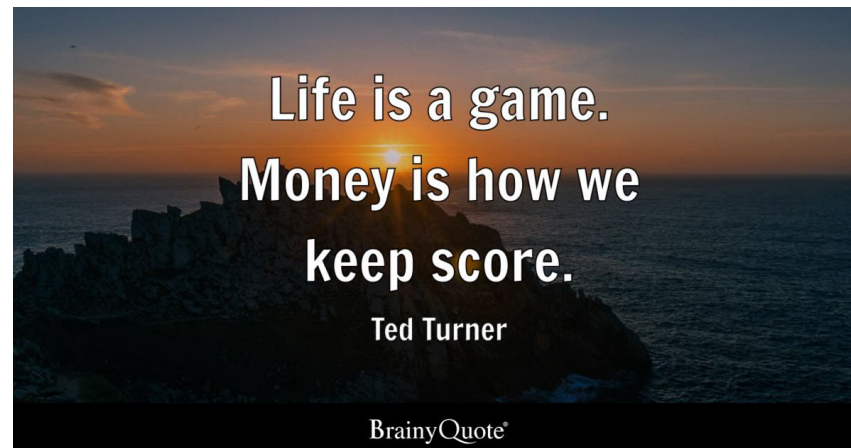
7. Labor Shortages/Labor costs
8. Health and Safety Hazards
9. Payment disputes
10. Change Management – RFI's cause the following:
 - Time delay
 - Change in scope of work
 - Change in materials
 - And added cost
 - Change orders almost never make money
11. Internal issues – poor project management etc.





Keep Score

1. Keeping score at the project level – P&L for each project
 - Weekly or monthly projections – not when the project is complete.
 - Can implement change if you find out the project is going south in the first 1/3 of the project.
2. Productivity tracking – how do you know you are productive?
3. WIP, collections, aging, mechanics liens
4. Not every job is a winner – how to survive the losers





Working On The Business

When you
WORK IN
your business
you're working on
TODAY'S income.

When you
WORK ON
your business
you're working on
TOMORROW'S
income.



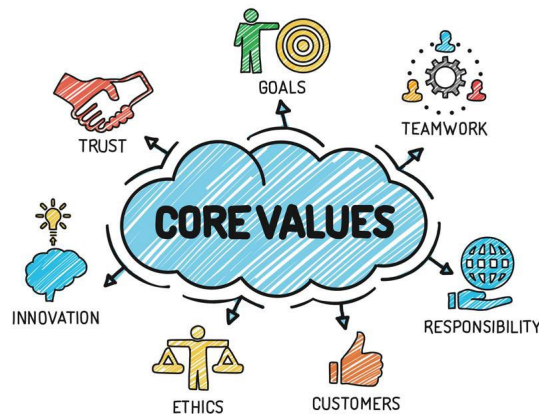
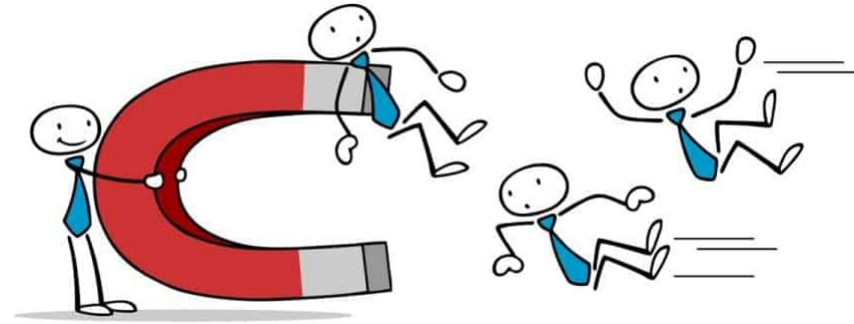
Working On The Business

1. Strategic Planning – looks ahead 1 to 3 years
2. Banking, Bonding and Insurance relationships
3. Working on marketing strategy, sales strategy and business strategy
4. Succession planning
5. Growth Planning
6. Education
7. Financials – look at the metrics of your business versus others:
 - Overhead % to revenue
 - Gross profit %
 - Net profit %
 - Days sales outstanding (AR including retainage)
 - Working capital
 - Break even revenue point
 - Debt to net worth
 - Net profit to equity
 - R score



Other Considerations

1. Company culture
2. Retention of employees
3. The next generation of leaders
4. Quality of work and reputation in the industry





Thank You

