

Heard at the Show

Roll the clock back 20 years, to when many of us were getting our contracting businesses started. Where did we go to learn more about the trade? If you were one of the fortunate ones, you stepped into a second- or third-generation family operation, where you continued to build on valuable experience. Some of us went to work for other builders, and many were lucky enough to find good mentors willing to share their knowledge. There were a few content-oriented magazines around — *JLC* was one of them — where once a month we could pick up a few insights from other builders. But, beyond a few construction management courses, which we didn't have time to take anyway, that was about it. Most of us learned building the hard way, mistakes and all.

There was certainly nothing around like *JLC Live* — an educational conference, tool and product fair, peer networking opportunity, and builder carnival all rolled into one. I can't think

of anywhere else you can listen to an expert tell you how to write contracts to protect yourself against mold liability (advice that you'd pay a mint for), while downstairs your up-and-coming lead carpenter is learning techniques from professional contractors for installing crown molding (or windows, or drywall, or decking, or siding, or tile — the list goes on) or checking out hundreds of new products and tools in a hands-on environment. If you've ever been to *JLC Live*, you know what I mean; if you haven't, you really ought to consider it.

We've dedicated this month's *Business* column to nuggets picked up from the speakers at this spring's *JLC Live* shows in Providence and Milwaukee. Many of these speakers will be returning to our shows this fall in Columbus, Ohio, and Portland, Ore. We hope to see you there.

Don Jackson
JLC Editor



PAYING YOURSELF FAIRLY

"About 10% of the builders I meet with don't seem to believe in profit. They think profit is un-American — 'All I want to do is just break even,' they'll say.

"You owe it to yourself, you have the right, to earn 20% of your gross sales before taxes. So if you do a million a year, you should be paying yourself a total compensation package of \$200,000 per year. And you should be earning that money in an average of 50 hours per week.

"The goal is to grow your business to where it can run without you. Did you ever go on vacation, come back and say, 'Did you miss me?' and have your employees answer, 'No'? The point isn't to get upset. Instead, you should take more days off until you find out how long it takes for them to miss you. What you're really looking for is for your employees to want to please you when you're away, for them to want to run things better when you're away (that way, they hope that maybe you'll stay away longer). Plus, it might be

more profitable without you around to micromanage what's going on."

— Les Cunningham, *Business Networks*,
Eugene, Ore.

THE VALUE OF TIME SHEETS

"The reason we all fill out a time card is because I want to know what everybody is doing, how they are working toward the goals of my company. My own personal time sheets include things like sales, production time, ordering, supervising, typing.

"I type my own contracts, and I want

to know how much time this takes me, also how much time I spend in the field, whether supervising for quality control or framing.

"I know, for instance, that between my brother and me, we sell the entire million-four volume that my company does in about 650 hours per year. I know that because I've been filling out a time card for 27 years. And I know many remodelers who do \$1.4 million who would have hired a full-time salesperson. Now, how bright would it have been if I went out and hired a full-time salesman and paid them \$50,000 or \$60,000 per year, knowing that I only take 687 hours per year to do that job? But if you didn't have the time card, wouldn't a lot of people think that a guy doing a million-four should have his own salesman?"

"We believe that an average salesperson selling jobs around \$20,000 and higher should be able to do \$2¹/₂ million in sales as well as estimate. So I really don't need a salesperson until I'm doing \$2.4 million and I stop doing any sales at all. We also believe, based on our time cards, that a production manager can run jobs between \$1.5 and \$1.8 million. The way my company is set up, I actually know at what volumes it makes economic sense to hire somebody."

— Alan Hanbury,
House of Hanbury Builders,
Newington, Conn.

SMART VAPOR BARRIERS

"What do you do in a mixed climate where there's a little cooling and a little heating going on? What you should be doing is using a 'smart' vapor retarder that knows what time of year it is. The best material for this is the kraft facing on batt insulation. When that paper facing is dry, it acts as a vapor retarder. That's the case in the wintertime when you want to stop moisture generated inside the building from moving outward and condensing in a wall. In the summertime, the moisture content of

that kraft paper goes up a little, and as it goes up, the paper becomes more breathable. That allows hot humid indoor air to pass through the wall and be dehumidified inside the building.

"Polyethylene sheeting, on the other hand, is a stupid vapor retarder. It never knows what time of year it is. That's why we get into trouble much more often with poly. You can get away with it in a northern climate, although I don't recommend it. But when you use it in mixed and cooling climates, you have problems."

— Stephen Smulski, Wood Science
Specialists, Shutesbury, Mass.

NAVIGATING THE INSURANCE CRISIS

"Premiums have gone up for all of you, but the market is definitely a little friendlier to remodelers than home builders. What an underwriter wants to see these days is someone who is subbing out less than 25% of the work. They're very strict about this now. Your accounting can make a big difference here, because whatever you can do to keep that amount down makes you more attractive to insurers. For example, say you've contracted with a sub for \$20,000, but that figure includes the cost of his materials. If you back out those materials and pay for them yourself, you may be able to reduce the contract with the sub to \$10,000. If you were up at 28% before, that might get you down to the 25% level.

"Up until a year or two ago, everyone in this room was driven crazy by insurance people pounding on the door trying to sell you something. Now you're the ones that have to sell yourselves to the insurance companies, and it's a tough thing to do. They're looking very closely at the kinds of management controls you have in place. They're looking for strong commitments from owners on loss control and prevention. They're not looking for talk along the lines of 'Yes, we're very loss-control minded,

and we're very careful.' They want to see well-formulated programs with documentation showing what kinds of plans you have in place."

— Michael D'Orlando, Educational
Training and Consulting Services,
Hudson, Mass.

PUTTING HIGH-TECH TOOLS TO WORK

"You look a lot more professional doing a sales presentation on a laptop than with a pencil and paper. I use Chief Architect because, relative to other programs I've tried, it's easy to use and has a shorter learning curve. The level at which you go into a CAD program makes all the difference in the world. Spend the necessary time with the program to become proficient.

"Bringing CAD skills to the sales call puts prospects in the picture and helps close the sale. It's very easy to provide clients with a pop-top view of their proposed remodel, including specific finishes, in just a few minutes — while they watch. I can also stand with my back against a client's home, shoot a digital photo of their back yard, then merge that image into the CAD drawing of their project and show them the view they'll have through their new kitchen window, in elevation.

"Photo-documenting existing conditions settles a whole lot of arguments about the condition of the project before you began work — things like cracked brick, rotten trim, termites, undersized or altered framing, the condition of the plumbing, wiring, and ductwork.

"There's also a website that, for a fee, provides an aerial view along with an incredible amount of information on any house I want to look at. You can learn more about a prospective client's property than they know themselves: land assessment, how much the house sold for, what it's made of, a soils map, flood zone indicator, proximity to airport, noise and decibel ratings — the list

goes on. I prepare myself with this kind of information before I make that first sales call. I can tell the prospect when their home was built, what the zoning restrictions are, what the remodeling value limit ought to be relative to resale value, and so on. It makes me look a whole lot sharper than the other guys.”

— *Robert Criner, Criner Construction Co., Yorktown, Va.*

ON-SITE COMMUNICATION CENTER

“Establish a communication center in the house. Hang up a dry-erase board for messages, with the plans nearby. Put up the project address for deliveries. Put up the client’s name so your subs can say good morning. Post emergency numbers — police, fire, ambulance, and poison control. Not only does this make your life easier, it tells the client they’ve hired an organization, not just a bunch of guys to pound nails. Think about this: If you had to call the poison center because the client’s toddler drank some polyurethane, where would you start? Isn’t it better to have that information where everybody can find it?”

— *David Booth Beers, House of Hanbury Builders, Newington, Conn.*

AVOIDING LIABILITY FOR SUBS

“Insurance companies are cracking down on sub coverages. When audit time comes, they look at your certificates, and they want to see if your subs were insured the entire time they were working for you. The insurance companies are really harassing people about this issue because if your sub doesn’t have liability insurance and you do, your liability insurance is going to have to pay, and they don’t like that. Insurance companies are not in the business of paying claims. They’re in the business of collecting premiums. They don’t want to pay a claim, and they will up your premium to cover uninsured subs or even cover a sub whose certificate has lapsed. He

may have had insurance; he just didn’t pay the most current premium. You can get some very nasty surprises because of that.

“For example, say a sub dropped his workers’ comp partway through the job, and one of his employees gets injured. If your sub doesn’t have workers’ comp for his employees, his employees can then recover against you. But they don’t recover against you under workers’ comp — they come in under your liability insurance. Instead of asking for a portion of their lost wages and hospital bills, which is what they get under workers’ comp, they come after you under liability, which means injury, pain, and suffering, and no limit on lost wages. The amount paid out in a liability claim can be much higher than a workers’ comp claim.”

— *Quenda Behler Story, attorney, remodeler, and JLC legal columnist, Okemos, Mich.*

LISTENING SKILLS

“The art of authentic communication lies in understanding who we are so that we can listen to others in a deeper, more knowing way. We all have our own ‘paradigm,’ or our own way of seeing the world, that can make us blind to other perspectives. A ‘paradigm shift’ is critical to improving communication.

“Most of us don’t listen to understand, but simply to hear an opening so we can jump in with our own two cents. But you can’t listen when you’re thinking of what you want to say next.

“Think about what people want, be an investigator. Listen effectively. Enquire about the other’s perspective, then get to your own comments. This is very different from the way most of us operate.

“Consider your own listening style and where you are on a scale from one to five: 1) ignoring, 2) pretending, 3) selective, 4) attentive, 5) empathetic

and understanding.

“To move your style toward Level 5, stop the chatter in the back of your head, stop thinking of what you want to say next, stop multitasking. Focus, pay attention, be present. Make eye contact — 80% of communication is nonverbal. Ask questions for clarification — the best way to listen is to ask questions. Find ways to summarize and paraphrase what you’re hearing. Put what you’re hearing in your own words and repeat it back. Go for clarity.”

— *Peter Cole, Cole Consulting, Burlington, Vt.*

ELIMINATING PUNCH LISTS

“To eliminate the punch list, we have to change our attitudes and behaviors. Many punch list items are from shoddy work. Establish a company-wide quality standard. That way all of your crew knows what’s expected.

“It’s also a good idea to put a clause in your contract that says you have the discretion to either fix or replace an item. Clients and contractors often have different ideas about whether something should be replaced. Use accurate and detailed specifications in the contract. For example, are you using stain-grade or paint-grade material to case the windows? Say it up front, put it in writing, and everyone’s on the same page.

“The best approach is to manage customer expectations up front — underpromise and overdeliver.”

— *Shawn McCadden, Residential Design/Build Institute, Burlington, Mass.*

SEEN AT THE SHOW



A highlight of every JLC Live is the teaching workshops that take place throughout the show on the expo floor — more than a dozen on any given day. Below are comments from some of the presenters about why they value what they do.

Roofing Refinements

“Builders love working with their hands. Traditionally, we learn from each other, by doing, and that process is still alive today on every job site. But the site is not always conducive to learning fast enough to keep up with our ever changing industry. That’s where JLC Live excels — at combining, in a job-site learning environment, time-tested fundamentals with innovative materials, tools, and practices.”

— Mike Guertin, builder, East Greenwich, R.I.

Master Stair Building

“It’s been a real treat when I’ve asked volunteers from the audience to come up and work with Tom Carty [carpenter and JLC Live presenter] and me. I’ve had some of them work on stage with us for more than a couple of hours. I pick the volunteers with some care, usually after they ask perceptive questions, and I’m always amazed how easy it is to fit them into the stage ‘crew.’ There must be something in the language and spirit of cooperation that builders share all across the country.”

— Jed Dixon, North Road Stairs, Foster, R.I.



Structural Basics

“JLC Live is about using ‘real-time’ demonstrations by ‘real-time’ contractors to show attendees how to save real time — or do a job better. It’s a great opportunity for attendees to stop the action to ask questions — to get more detail or explore alternative methods.”

— Carl Hagstrom, Northeast Design Group, Montrose, Pa.

Finish Tricks

“There are no continuing education schools for contractors, and though magazines help enormously, there’s nothing that can replace live presentations when it comes to demonstrating construction techniques. JLC Live is changing the nature of construction education.

“Most of us have learned our craft the hard way, through trial and error; we’ve learned that experience is the key to success. But contractors and carpenters should try learning the easy way, too — through education.”

— Gary Katz, G.C., Reseda, Calif.

