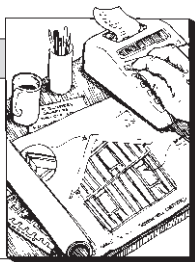


# Surviving Those First, Tough Years

by Jennifer E. McGlynn



**"I** hate this business! We're getting out!"

My husband comes up with this emotional outburst whenever the stress and anxiety of our restoration business looms up and overwhelms him. He'll paw through the want ads, muttering how easy life would be "if I just worked for somebody else."

Eventually, when he calms down, his problem-solving instincts kick in and we'll sit down and discuss how to approach Insurmountable Problem No. 3,000.

This is not an easy business. Tax and insurance costs are high. Skilled labor is difficult to find and keep. Thousands of variables combine to keep a job from being completed on time or on budget. Bad weather, late shipments, and faulty materials are problem enough. Then you find out most clients are forewarned by their latest consumer magazine article to expect the worst: an astronomical price, poor work, and no respect. It's no wonder that poor morale is common in this business.

Getting your clients to know you are good at what you do and trustworthy is a big hurdle. Even then, you have to make a living, pay your taxes and insurance, and keep your employees happy. None of it is easy, but all of it is possible. Here are some methods we count on to make our small construction company work—methods that might work for others starting out:

**Build credit quickly, if modestly.** When small-business loans were impossible to get, we tried getting a business credit card, such as the American Express Corporate Card, ServiStar Visa, or a Mastercard. Approval for most cards requires two years of financial history or tax returns, but we tried after just one year—and got one. Our cards are not revolving accounts, so we must pay the balance in full each month. Ask for a small limit—\$500 to \$1,000—so you can pay on time.

From a credit card, we moved to systematically obtaining lines of credit with local suppliers and hardware stores. Pick one place each month where you're known and have done a good cash business.

**Pay suppliers on time.** If you can't meet all your bills, pay your local peo-

ple first—the ones you see every week. Take care of the big corporations after that. And don't even *think* about paying yourself until everyone else is paid, or reasonably so.

**Invest in looking professional.**

Invest in some office supplies, even if the office is your kitchen table. These are absolute musts: business cards, letterhead, an invoice and bill system (with return envelopes), and job-site signs. If you have the money, get a Yellow Pages ad and a business phone. Don't waste your money on pens, caps, or calendars.

**Cut insurance costs.** Go for the highest deductible available on your liability insurance, usually \$500 to \$1,000. You want to protect yourself from catastrophic loss; there's no sense paying through the nose for insurance every month just to avoid a "possible" \$1,000 expense each year.

Also choose a high deductible for health insurance, then opt for co-insurance up to \$3,000 or \$5,000. Your premium is lowered considerably. Deduct as much of the premium cost from your employees' pay as your state allows. But to ease the burden on them, reimburse them for expenses incurred before they meet their deductible. We set aside an amount equal to their share of the premiums and use that to reimburse their out-of-pocket medical costs, even if the costs exceed their contribution. Keep those costs down by hiring good people: nobody who freezes up at heights, no drugs, no booze, and no doughnuts-and-sodas-for-breakfast guys.

**Establish a pay day and pay your employees.** Record hours worked, and satisfy or explain any discrepancy. Make sure anybody you're about to hire knows if and when you pay travel time, bonuses, and vacations. Don't offer false promises. We give holiday bonuses and periodic bonuses for jobs well done or problems handled professionally—things that are easy to spot in our small company.

**Forget the expense of a showroom.** Record your work in a portfolio, using a 35mm camera to photograph your jobs. Keep the photos with a list of references in a portfolio and show it to prospective clients.

**Stay current.** Subscribe to good magazines and cancel the least helpful

ones. Some good ones are *The Journal of Light Construction*, *Fine Homebuilding*, and *Remodeling*. Some you'll have to pay for, while others send a free subscription to any contractor.

Consider attending workshops for small contractors. They cost \$50 to \$400 per person, but the benefits are tremendous. Mingling with other builders and exchanging horror stories as well as good ideas is uplifting. At a recent seminar, a group of us at the same dinner table became so engrossed in exchanging ideas that we all stayed long after the presentation was over.

**Watch your cash flow by arranging payments wisely.** A good method is the 10% "before and after" deal, where your client puts down 10% of the total upon signing the contract but retains 10% until after the work has been completed. That way you both have your good-faith money. The remaining 80% can be broken into thirds, quarters, sixths, or whatever suits your overhead and payroll costs. Be specific about whether the beginning or completion of a stage of work triggers these payments. The larger the job, the smaller and more frequent you'll want the payments.

**Shape your bids to fit your area.**

We like to submit a Cadillac price along with a general price, because the area has a core of conservative, long-time residents who may shy away from higher prices. More quality-oriented newcomers from other states are more likely to accept the higher price. Customers who do choose the lower price may find comfort in knowing it could have been higher.

**Hire a good accountant.** Ours was emphatic about one thing. "I cannot stress to you how very, very, VERY important it is for you to pay your taxes," she said. The federal and state tax agencies will tack on interest to taxes owed, then a penalty, and possibly interest to the penalty. We file our quarterly tax reports ourselves and let our accountant handle the annual wrap-up and financial statements, which you'll want for credit approval.

**Make the commitment.** This is the key to your success. For a while, you'll work 12 to 14 hours a day, six or seven days a week, regardless of the cold or heat. You'll have to be the consummate professional, whether money, clients, acts of God, employees, or suppliers have made you livid.

You'll do it because it's part of who you are. Building your own business into a success will make you as proud as the best job you've ever done. ■

Jennifer E. McGlynn and her husband, Shawn, own Renaissance Restoration, Inc. in Treichlers, Pa. They employ five and gross about \$375,000 a year.