

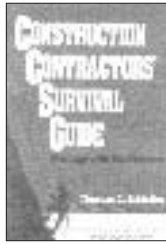
Ten Threats to Success

Construction Contractor's Survival Guide by Thomas C. Schleifer (Wiley, 1990; 201/469-4400). 155 pages. Hardcover, 6 1/2 x 9 1/2. \$36.95.

by Sal Alfano



Most builders never really know why their construction businesses fail. The demise is often so sudden and unexpected that the natural tendency, both for the builder and for all of us who lend a sympathetic ear to his story, is to blame a particular project that turned sour or a competitor who took work away with low-ball bids. But the real reasons are much closer to home, according to Thomas Schleifer, a longtime contractor who has made a career out of exploring how and why construction companies fail.



In *Construction Contractor's Survival Guide*, Schleifer draws upon his 30 years of experience in construction to present an analysis of the causes of contractor failure that is both familiar and unexpected. Schleifer contends that most contractor failures are caused by events and decisions that take place during a company's most profitable years, especially as a company grows. Contractors are easily lulled into believing that a history of success is a guarantee of continued success. Most believe bigger is better, partly because they use volume as a yardstick instead of profitability. Consequently, contractors don't appreciate the risks inherent in the changes that naturally accompany growth, and fail to recognize the signs of trouble early enough to head off disaster.

The bulk of *Survival Guide* is organized around ten chapters, each of which discusses one of the ten elements Schleifer believes are responsible for most construction business failures. The first five elements are related to the practical matters of "getting the work" and "doing the work" — changes in project size, geographic location, and construction type, changes in key personnel, and the failure of management to keep up with an expanding organization. The last five elements have to do with "managing the work" — poor use of accounting systems, the failure to evaluate profitability, a lack of control over equipment costs, poor billing procedures, and complications created by the transition to computers.

Each type of change is described in terms of the logical progression of events and decisions leading up to it, followed by at least one case study — and often two or more —

by way of illustration. None of the case studies directly addresses small residential builders, but both the problems and solutions presented in Schleifer's examples can easily apply to virtually any construction

company. For example, in the section concerning a change in project size, the case study follows the undoing of a \$7 million-per-year commercial contractor who builds multi-story condominiums. But the cause of this company's failure is universal — a natural tendency to take on larger jobs as a quick way to make up for lack of work. Schleifer's analysis of "what really happened" — a feature of every chapter — will also be familiar to every reader: It wasn't a major omission in his estimate of a project that was twice the size of his previous jobs that did this builder in, but rather that he was a little bit low on every line item in his bid. The cumulative error drove him out of business.

Similarly, in the chapter on controlling equipment costs, you can substitute \$800 tablesaws for the \$70,000 backhoes Schleifer uses in his examples without missing the point: Because equipment ties up capital and creates hidden costs, builders should invest in it only when they need to, not when they want to.

After reading the chapter on accounting systems, I was convinced Schleifer had been in my office looking over my shoulder. He doesn't advocate one accounting system over another, but he insists that builders take more responsibility for the type and accuracy of the information they feed into it. This becomes more crucial the bigger a company gets and especially as the number of jobs running at one time increases.

Schleifer carries the theme of responsibility into the chapter on making the transition to computers. He doesn't stop with the usual warnings about the potential loss of data during the changeover and the danger of becoming so dependent on computers that a power surge ruins a month's work. His main point has to do with the amount of information computers make available and the way builders use it. Faced with the

ability to generate a huge amount of data, most builders can't decide who within their organization should get what. The most common mistake is to send everything to everyone. The resulting "information overload" is especially hard on field workers, who either ignore it or are so distracted by it that they can't get their other work done. Schleifer diagnoses information overload by sending exactly the same report to field personnel three months in a row. If no one notices, then no one is reading them.

You can read *Survival Guide* straight through, but the book is well suited to those who want to jump directly to a specific chapter that applies to their current situation. There's an index and a glossary, but the table of contents is the easiest way to find what you're looking for.

Schleifer is an advocate for builders. He knows companies grow and change, and he doesn't mean to suggest that either is undesirable. But he does warn that growth and change are always accompanied by risk, and your chances of making a successful transition depend on your ability to evaluate and overcome their consequences. Reading this book is a good first step. ■

Sal Alfano, a former contractor, is a senior editor at The Journal of Light Construction.

Footnotes

The Building Officials and Code Administrators International has announced publication of the 1993 editions of the BOCA National Codes. The updated code books cover new requirements for seismic design, accessibility, hazardous materials, and other technical provisions. For more information on how to order the *BOCA National Building Code* and other BOCA code books, call or write: BOCA International, Publications Order Department, 4051 Flossmoor Rd., Country Club Hills, IL 60478; 708/799-2300.

If you're occasionally embarrassed to find that you don't have a clue about what the architect, masonry sub, or building inspector is talking about, get yourself a good construction dictionary. The 10,000 terms and 1,100 illustrations in Robert Putnam's *Builder's Comprehensive Dictionary* are supplemented by a ten-page section on legal, real estate, and management terms. At the very least, it'll teach you the difference between right-hand and left-hand doors (which no one can ever remember).