

Building a Winning Team

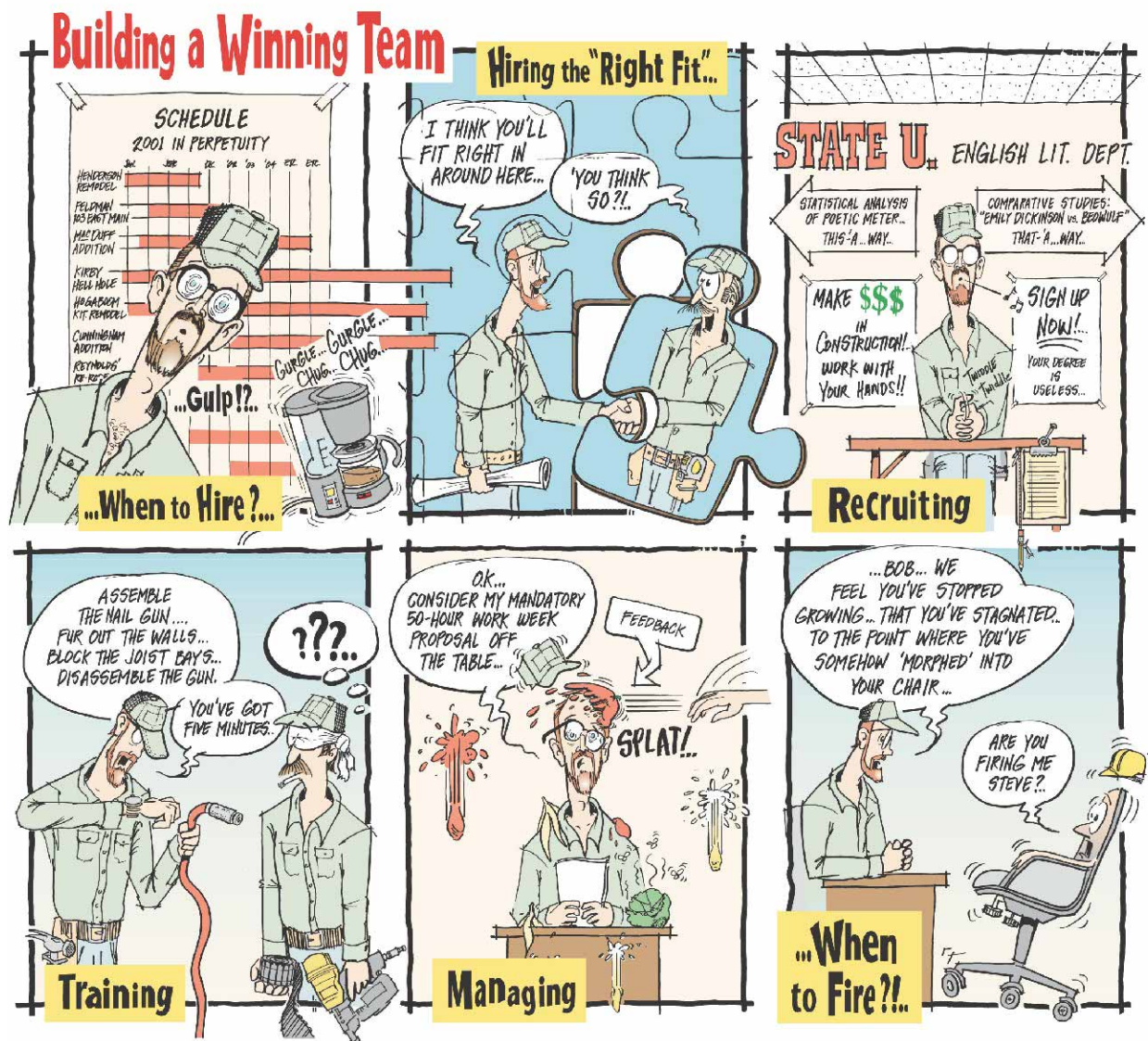
These days, when builders and remodelers are facing a serious shortage of experienced workers, it's more important than ever for a contractor to have a strategy for finding and keeping good employees. To build your team, you need to know when to hire, where to look for candidates, and how to train and manage your employees. Finally, you need to know when it's necessary to fire someone.

by Paul Eldrenkamp

Are You Sure It's Time to Hire?

Ideally, you want to hire someone only after a careful analysis shows that hiring an employee would be a profitable move. Waking up in a cold sweat because you've sold twice as much

*Every business owner
needs effective strategies
to recruit, train, manage
— and sometimes
fire — employees*



work as you can possibly handle probably does not count as “careful analysis.”

One good reason to hire is to fill a hole in your team. Let’s say you have serious slippage — meaning your actual gross margin is significantly less than your estimated gross margin. If your annual volume is \$1,000,000, and your gross margin is only 15%, or \$150,000, instead of your estimated 30%, or \$300,000, then there’s a \$150,000 opportunity there. If you can hire a better estimator, maybe you can have that slippage down to \$50,000 within a year, bringing your gross margin up to \$250,000. How much would you invest in a position with an annual return of \$100,000? Your answer to that question will determine what you could offer a prospective estimator.

It might be time to hire if the demand for your services consistently exceeds your capacity to produce. My benchmark is that when

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each lead carpenter is scheduled four jobs deep (which, for our job mix, is about a year backlog), it may be time for another lead carpenter. You still need to write a budget for the new hire and perform an analysis. Take your chart-of-accounts line items and fill in the blanks. How much will revenues increase? Job costs? Expenses? In expenses, be sure to show an increase in your personal income. After all, why take on the extra risk and responsibility of a new hire if your personal income is not going to increase? After filling in the line items, check what the chart shows for your new net profit. If you think the extra profit justifies the position, make the hire.

This line-item analysis for the new hire will also help you negotiate salary. “Okay, if I pay you as much as you’re asking, the first year you’ll have to produce \$400,000 of work at a 33% margin. Can you commit to that? What do we do if you fall short?”

Monitor the performance versus your budget, ideally on a monthly basis. Since most new employees will need some time to get up to speed and show you a profit, you should budget for some initial losses. But if the position isn’t working as planned, you may need to redefine it — or pull the plug altogether.

Another reason to hire is to get someone on

your team who can compensate for your personal weaknesses. If, for instance, you “know” that in your market it’s impossible to sell a large job at a 30% to 40% gross margin, it might be a good investment to hire a salesperson who doesn’t know that.

Writing Job Descriptions

All these analyses give you quantifiable indicators of whether the new position is succeeding. They help you define a position in terms of problems it will solve or opportunities it will seize. If a job can’t be described in one sentence or less, someone is probably being set up for failure. Here are some examples of good job descriptions:

- 1) “The lead carpenter’s job is to bring the project in on time, on budget, and to the homeowner’s total satisfaction.” That’s clear, concise, and quantifiable. It’s also flexible: It allows for a fair amount of autonomy and stylistic differences among lead carpenters.
- 2) “The production facilitator’s job is to accurately schedule all jobs to four weeks out.” This is a simple, quantifiable definition. Every four weeks, I know whether the job is succeeding or the production facilitator needs more coaching or help — or maybe just new subcontractors or suppliers.
- 3) “The assistant carpenter’s job is to be a key resource for the lead carpenter by helping with production, material handling, and job-site cleanup in a reliable and enthusiastic fashion.” Although this definition is by its nature harder to quantify, it’s still clear and simple enough to be effectively communicated and measured.

Finding Employees

It’s easier to find good helpers these days than good lead carpenters. My approach to the shortage of skilled construction labor is to try to find the people who, with the right training and support, will be outstanding lead carpenters in 5, 10, or even 15 years. That’s how I think you should approach hiring: Plan ahead. Plan way ahead. Don’t be afraid to be overstaffed with helpers at the bottom, since your team-building strategy should include training. The romance of construction — yes, it exists, even if you’ve been in the business too long to remember it — often has more appeal for the fresh faces than we realize. There are lots of young people out there who have no

desire to associate with corporate America, and would thrive in a small organization that offers them a good blend of close guidance and mentoring, training, recognition, and autonomy. Look for these people in shop classes, at extension courses, in college odd-job programs, among clients' kids, and on sports teams (I've had particularly good luck with women's sports teams). You also might try to make friends with your local high-school guidance counselors.

Networking. Although I found two of my current employees through help-wanted ads, the other eight were hired through personal networks. One was referred to me by one of my lead carpenters, one by my plumber, and one by my painter. One was sent my way by a competitor who relocated to the West Coast. One had worked for a carpentry subcontractor who also moved out of town. One went to a local trade school where the placement counselor is an acquaintance of mine. One was referred by an architect who goes to the same church I do. One was the parent of a child who attends the same preschool as my oldest daughter.

So eight out of ten employees came by means of networks: This, I think, is a healthy ratio. Studies have shown that people hired through social networks stay longer and stay happier than those hired through help-wanted ads. Additionally, people you find through personal referrals tend to be safer hires, since most friends probably wouldn't recommend that you hire someone they know to be incompetent or prone to risky behavior. When you cultivate this sort of referral network, there's a prescreening in effect. I think you'll also find legal issues become less burdensome when most of your staff has come to your team via personal referral.

To build your networks, I suggest you set a goal of participating in at least three community organizations (not including industry organizations) for a minimum of five years each. At some point or another, you should aim to have a leadership position in at least two of these groups. Possible organizations include Rotary, historical societies, religious groups, sports clubs, neighborhood associations, and musical societies.

In addition to social networks, you can't forget your business networks. Make sure you run your business in such a way that employees, subcontractors, suppliers, and clients hold you in high regard. That way, they'll think of you

first when they encounter someone looking for a job in construction. Run a good business, and good people will find you.

Keep an eye out for talent. The moment you've decided you need to hire someone won't necessarily be the same moment someone in one of your social networks hooks you up with a potential new employee. Be on the lookout for talent. If someone truly outstanding comes your way, I suggest you put together a plan pretty quickly to fit that person into your organization — not quite "hire first, ask questions later," but almost. Remember, however: Even the most talented person will fail in a position if there's no shared plan at all.

These methods for finding people are all part of an ongoing, long-view effort. If you find yourself in a position where you need someone immediately, you're going to have to resort to the help-wanted ads or to raiding

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your competition. One is a crap shoot, while the other can be very expensive (in terms of both money and reputation). The single most effective hiring tool is to never get yourself into a tight spot to begin with.

Training and Retraining

Once you've identified talented people and hired them, your focus needs to shift to training and retaining them. Outside resources for training include: NARI and NAHB training; classes at local colleges and universities; books and trade publications; and conferences. Training provides your employees with personal and professional growth, which is a key employee motivator — often more important than money. Steady opportunities to learn new skills and to rise in stature as a carpenter or manager will keep an employee at a company for the long haul and will increase that person's added value to the company. The training should be based on clear goals and benchmarks, and the employee should be able to look forward to logical increases in responsibility.

In my company, we're committed to developing a training program that can take a

new hire with little experience (but good attitude and aptitude) and, in about ten years, turn that person into a lead carpenter capable of running a kitchen or bath renovation on time, on budget, and to the client's total satisfaction. To accomplish this, we'll be using a variety of existing outside resources and new in-house programs.

In-house training. Recently, I named one of my skilled carpenters a "designated trainer." I have found that lead carpenters are not always good teachers. Moreover, running a job and training a helper are often conflicting tasks. You can try to budget time on a job for hands-on training — with the right lead carpenter, that strategy can work — but in my opinion it's more effective to separate the responsibilities. I now have a very skilled carpenter on staff, with a very gentle, patient temperament, who spends five days a month working with one to

three individuals at a time on a particular type of carpentry task.

About every other month, we invite a guest lecturer to speak at a company meeting. I find these experts at trade conferences, where I extend invitations to the most interesting featured speakers. Some of these people have agreed to come talk with us for pay; some have accepted barter deals; others have offered in-kind trades. Many experts in our industry are generous with their time and energy; take advantage of that on behalf of your crew.

Managing Your Employees

Now, you've put your team together, and you've instituted an ambitious training program. But you're not done yet; if a team is poorly managed, your company risks losing good employees. The next step is getting yourself some management help so you can figure out

Improving Your Management Skills

I have four main resources to help me manage — and I need every one of them. My first main resource is the ongoing education I get from trade shows, industry periodicals, and business books.

Peer support. Another resource is the help I get from my peers in the industry, particularly those I've met through Business Networks (41429 McKinzie Hwy., Springfield, OR 97478; 800/525-1009; www.businessnetworks.com). Twice a year, I meet with a group of about a dozen contractors from noncompeting territories. At each meeting, we interview the employees of a different host company. These meetings give me an opportunity to see examples, both good and bad, of how other contractors manage their employees.

Employee leasing. A third is the assistance I get from a professional employer organization, in my case, Genesis Consolidated Services (21 Worthen Rd., Lexington, MA 02421; 800/367-8367; www.genesis-cos.com). A professional employer organiza-

tion, also called an employee leasing company, is a mechanism that enables me to provide better-quality benefits and employee assistance programs than I would otherwise have at my disposal. Everyone in my company, myself included, works for Genesis, which in turn leases us back to my company. What this means is that I have a company that, technically speaking, has no employees. Genesis handles all the paperwork associated with hiring and employment, including payroll and taxes. Genesis is better informed regarding employment laws than I could ever hope to be.

Consultants. The fourth source of management help is the organizational development consultant I work with, Jeanette Millard of CJM Consulting (89 Kendall Rd., Boxborough, MA 01719; 978/263-7257). We meet with our consultant at least once a year. When our employees have important issues to discuss, she is able to conduct a meeting, guide us, and help us arrive at an action plan.

Our consultant has also demonstrated the value of personality profile tests. I have a lead carpenter who is extremely extroverted; he processes information by talking with and engaging others. It used to be that he could sit and talk in a meeting for five or six hours. In contrast, I am introverted, and I process information by sitting in a corner or staring at the ceiling. After a 90-minute meeting, this particular lead carpenter was just getting warmed up, while I was reaching the point where all I wanted was to get away. So I would go off, read a newspaper, and eat a sandwich. He would take this as an insult.

I thought he was very needy, while he thought I was very cold, which was a source of ongoing tension. Our consultant used a personality profile test, the Myers-Briggs test, to help us understand that we simply had different styles. Once we understood that, we've been better able to deal with each other.

— P.E.

what to do with these people (see “Improving Your Management Skills”).

Employees don’t like surprises any more than our clients do. They want to know that there will be a steady flow of interesting but predictable work. This sort of stability results from a sound structure — just like in construction. Structure means clear ground rules (for clients and subcontractors, as well as for employees), clear measurement criteria, and consistent feedback mechanisms.

I still struggle with my stubborn tendency to keep things close to the chest. I need to remind myself to share more information, since my staff likes to know what’s going on regarding schedule, budget, and client expectations. To help me do this, I conduct monthly staff meetings; schedule a job-site orientation meeting with the lead carpenter in advance of the pre-construction conference with the client; set aside Friday afternoons for one-on-one meetings with staff; and designate a production facilitator to act as a bellwether for crew morale, soliciting feedback that I would otherwise miss.

Employees appreciate flexibility, and this usually means latitude regarding time off. People in construction like to have some autonomy; my crew members don’t always want a 40-hour week. Often they are happy to take off a little early on Friday afternoon and forfeit the two hours’ pay.

My staff, on the whole, wants me to provide a good support organization: to provide steady projects, solid resources (including personable, skilled helpers and reliable subs and suppliers), clear ground rules, and periodic feedback. Give them the training, give them the game plan, and then leave them alone to do what they’re good at. That’s all the leadership a contractor really needs to provide.

Knowing When to Fire Someone

Being a leader includes the ugly task of having to fire people every now and then. You’re cultivating a team here; firing is analogous to weeding.


There are times when it is clear that an employee must be fired: When a staff member is guilty of documented dishonesty, hazardous behavior, willful disobedience, or hopeless incompetence. Those tend to be the relatively easy cases. Sometimes, though, you have to let go of someone who hasn’t misbehaved or screwed up, but who just isn’t working out.

I do not take firing lightly. Most people out there want to do a good job, and most are capable of it. If you’re tempted to fire someone, the first question you need to ask is, “Who’s really screwing up here? Me or them?” It’s possible that management is standing in their way of doing good work. Perhaps expectations are not clear and never have been. Or maybe more coaching or training is in order. So be sure you’re not deluding yourself.

In my experience, the very act of wondering whether a certain person should be let go sometimes means you already know the person should be fired, but you haven’t really admitted it yet. If you find yourself thinking, “Maybe if I just wait for a few months, this situation will solve itself,” think again.

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Warning signs. There are a few red flags that indicate someone might need to be let go. For example, there is the staff member who is always the last one you would assign to a particularly distasteful task; an employee who could not possibly make his or her current level of pay in a similar position at another company; a long-term employee who is still with you out of habit rather than any ongoing value to the company; or someone who doesn’t exhibit growth or development over a period of years, regardless of what motivational tools you try to implement.

Businesses grow and change. Someone who was a key employee for me 15 years ago might not necessarily be a good fit for my company today. And it goes the other way: Someone who finds working for me fulfilling this year might decide down the road that there are better opportunities elsewhere. So staff changeover is not something to be feared; it is something to be accepted and managed. That’s why it’s important to have a steady supply of new talented people available to you, and to know what to do with them once they’ve come on board. 

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