

You're a Business Owner ... Act Like One

by Mark Hansen

Wow. That was my reaction the day my contractor's license came in the mail — finally, I was my own boss. I wouldn't have to answer to anyone, and I'd get all the money a job made, not just part of it in a paycheck. And I naively figured since I was good at swinging a hammer, my business would be profitable — but of course, I was wrong. I didn't consider all the costs of running a business.

The first two years on my own were the toughest. I was landing 98 percent of the jobs I bid — a clear sign my prices were too low (today, I land more like one bid out of three). I was so

going about running a business the wrong way. I was humble enough to listen, and I vowed to improve from that day forward. Here are the four main pointers I followed to help turn my business around.

Know Your Numbers

I got a letter one day about a free QuickBooks seminar sponsored by a local accounting firm. At that point, I used bookkeeping only for year-end tax purposes, nothing more. I went to the training mainly for the free lunch, but afterward I realized I'd had it all wrong: Bookkeeping, not swinging

on a bench at the 9th hole of the local golf course. I politely told him I had advertised with his company previously and had not received one call. He said there's no way to know for sure which advertising is working and which isn't. I happened to be sitting at my computer and was able to tell him down to the penny the value of the jobs that my various advertisements had brought in over the last year — that shut him right down.

But more important than getting a salesman off the phone quickly, I can see where my advertising gets the best bang for the buck, and focus my time and money there.

After that incident I started thinking: How many other contractors could do what I had just done? How many contractors are that tuned into their business? My guess is there aren't very many.

How many financially successful contractors do you see who swing a hammer every day?

proud of myself, working days, nights, and weekends living the American dream of business ownership. For some reason, though, I wasn't getting ahead, and my wife was starting to resent the hours I was putting into a business that barely paid the bills.

Three years into running my deck business, I finally realized I had to be a business owner — not just a deck builder.

Luck had something to do with this revelation. I had dialed a wrong number and reached a builder I didn't know. We happened to hit it off and chatted for quite awhile. Then I made one of the smarter decisions I've made in my life: I invited him out to lunch.

When we met and talked, he was confident enough to tell me I was

a hammer, was the most important aspect of my deck business.

Paying attention to the numbers has taught me a lot. Now I know whether I'm making a profit — or just keeping busy. I can tell if I have enough cash to make it through the next month, and I can compare previous months, quarters, and years to see if my business is growing. Plus, I can track job costs to the penny.

Knowing the numbers can inform your decisions in less obvious ways too. Did you know you can use QuickBooks to track how clients find out about you? You do have to ask clients how they heard of you and be disciplined about entering the information, but doing so can pay off.

For example, a few weeks ago a salesman called selling advertising

Hire People Who Know More Than You Do

I used to have a job as a machinist. In the shop was a machine that only one person knew how to use. If he was on vacation, or sick, or took another job, the machine wouldn't run.

Clearly, it would have been beneficial for there to be more than one person who could run the machine. I approached my supervisor with this idea and told him I would like to be that other person. He agreed and told my foreman to get me trained.

When the time came to start training, though, the foreman refused to let me begin, arguing he should learn to run the machine before I did. But he was so busy running the shift, he

never did get the training, and so I never got trained either. Because he was afraid of someone knowing more than he did, he actually hurt the company in the long run.

Find out what you are good at and want to do, then hire people who know how to do the other stuff. These people don't necessarily need to be employees: They can be accountants, lawyers, permit facilitators, or payroll services. Make sure they know more than you do.

Learn

You weren't born knowing how to swing a hammer. You learned from others and built up enough confidence to start your own business. Now you need to learn how to run that business.

I make a practice of inviting business owners who look successful out to lunch. I've bought lunch for my insurance agent, my lumber supplier, and other people in the construction trade. The amount of information many of these business people willingly share for the cost of a meal is amazing. Never be afraid to say "I don't know how to do such and such."

The goal is to find out how they got their start, what made them successful, and what they did wrong — learning from their mistakes is cheaper than learning from your own. A good lead-in is "How did you get where you are today?" Most people are flattered to be asked. I have even talked to people on airplanes about how they started their businesses. The worst that can happen is they won't tell you.

Be aware that some people will try to rain on your parade by telling you that you're crazy to want to run a business. Ignore them — get a good plan and put your heart and soul into it.

Make a list of your weaknesses and do whatever it takes to strengthen

them. Go to school, to seminars, to trade shows. Read magazines, contractor blogs and forums. Talk to other contractors. Find a way to get the information — it may make the difference between having a successful business and being out of business.

Stop Swinging a Hammer

Over the years I've met many contractors, most of whom were very hard workers. But the thing is, working was all that most of them were doing. Laying the carpet, painting the house, building the deck. They didn't appear to be making a lot of money. Their vehicles were run down, and both the contractors and their trucks were up in years.

I knew a carpet layer who was 72 years old and still laying rug. He had owned his business for more than 30 years. I asked him why he wasn't out enjoying retirement. He told me that the people he'd hung around with in school had been retired for some time, but somewhere along the line he'd made a mistake.

The day that carpet layer stopped working was the day he would go broke. He had put his head down and done the work, but it was too late when he looked up and realized that all he really owned was a job. Sad, isn't it?

If you want more than just a job, then stop swinging the hammer as soon as you can and begin building a business. Look around you. How many financially successful contractors do you see who swing a hammer every day? Not many. Most of them are running the business and paying other people to swing the hammer. You might be thinking, "But I'm really good at swinging a hammer." So was the 72-year-old carpet layer. ❖

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