



The "Wizard of Oz" tells the story of Dorothy who, after being swept away to a fantastic land, struggles to get back home and finds the ability was within herself all along.

The film stands as an allegory for life. With such a broad metaphor, it can be applied to, say, business. Sometimes, being an electrical contractor feels a lot like riding through an unexpected tornado and waking up in a fantasy world. Disoriented, you search for a wizard to find the way home again.

Like Dorothy who threw a bucket of water to defeat the Wicked Witch of the West, contractors often grab the first available tool to fix an emergency. With too little time to think and plan, they look for experts to solve their problems and return them safely home.

The pitfall in this plan is that there is no wizard

with a sure way to safety. Like Dorothy, the solution to your problems is within yourself.

Comfort and complacency

Dorothy and her friends almost failed in their mission because they succumbed to the temptation to rest in the poppy field. Drowsy and dreamy, they almost became victims of the flying monkeys. Fortunately, Glinda the Good Witch sent the cold reality of snow to awaken them in time.

You may also need a wakeup call. Successful contractors find it hard to be flexible and change

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direction, finding comfort in the very strengths that may be morphing into weaknesses. You know your niche because you have been operating successfully for years. You think you know your competitors, but perhaps the marketplace has changed; so has their strategy. Look again.

Your priority is keeping your customers happy, but perhaps you should be dropping a house on some of them. You probably spend 80 percent of your time servicing 20 percent of your client list, and they are out to get you “and your little dog, too.”

You think you run a tight ship, but you fail to innovate and notice minor profit leaks or slippages in productivity. You think your management team is stable, but your inflexible corporate culture and lack of vision has many of them plotting their exit strategies. You think your employees are loyal, but several of them are planning to start their own electrical contracting firm and compete with you. Your corporate values are sacred, and you would never think of changing them. Meanwhile, the world around you is the Land of Oz, and the old rules no longer apply in the new environment.

Signposts on the yellow brick road

The list of leading indicators is virtually the same in every survey, article and book on

potential business failure. Look for these signs:

- Employee turnover is increasing, while productivity is decreasing, but your training expenditures are inadequate.
- Your technology is out-of-date.
- Proposal/bid activity and backlog are declining, but your marketing is not targeted; you fail to spot marketplace trends.
- You are spending more and more time on financial matters, but your cash-conversion cycle time is lengthening.
- Compliance violations and legal problems are increasing.

Fighting the price wars

For those who do notice the signs that the business is in trouble, one of the most common reactions is fighting a losing battle in the price wars. The competition is fierce; you need to retain your existing customers; and everyone else is doing it, so what's the problem?

The real problem is not your pricing; it is your inability to dem-

onstrate your value to clients. It is not enough to win jobs. They must be profitable jobs, aligned with your technical strengths and business plan.

Instead of simply measuring the rate of awards as a percentage of jobs you are bidding, analyze how much profit you leave on the table each time you win. If your price is substantially lower than that of your nearest competitor, your bidding is inefficient and wasteful and you have just lost a substantial amount of potential profit. In the hard-bid race, you want to win by a nose, not a mile.

Better yet, aim for the loyal, sole-source relationship. Charge more by delivering unique services, superior responsiveness and vertically integrated products, so that your clients have no reason to hire any other electrical contractor.

Growing broke

Growth is tempting, and everyone knows that bigger is better. To be successful, you must constantly increase revenues. Growth requires more cash, more employees and more paperwork, especially if you are taking on larger, riskier clients. Slow, incremental growth with a gradual entry into new niches is far superior to taking on big jobs, unknown clients and dozens of unfamiliar electricians. Even if the work is profitable, you may not survive the cash-flow drought to enjoy the harvest of profit.

When you increase revenues, it is safer to build greater volume with existing customers and employees who know how to complete your projects efficiently. Carefully check out the financial resources and business values of potential clients, maintain tight collection procedures on new and larger projects, and hire new employees gradually in order to avoid serious impacts on productivity. The old rule is still a good one: never take on a project that is double the size of the biggest project your company has previously completed.

Expert or entrepreneur

Beware of the misconception that a skilled employee can easily become a successful entrepreneur. Starting an electrical contracting business is fairly easy, especially if you are a great technician. The technician works in the field while assuming management duties such as keeping the books, managing personnel and cultivating new business.

However, the former employee is now effectively working two jobs. Even if he or she becomes a decent manager, the chance of becoming a true entrepreneur is small. Seldom is the same person capable of adopting a strategic, long-term plan and entrepreneurial vision without resorting to fixing problems by strapping on the tool belt and heading to the job site.

To make the transition to manager and then to entrepreneur

While you are busy searching for the wizard, your savvy competitors are looking behind the curtain.

continue your education. Attend conventions and seminars, read business publications and keep your feet on the yellow brick road by acquiring mentors and peer evaluators. Listen to their advice, and take their constructive criticisms seriously. Ego is a roadblock, not a steppingstone.

Failing to plan is planning to fail

Having a business plan and taking the time to think strategically are often the last priorities for busy contractors. Without a plan, it becomes more difficult to obtain credit, impress your bonding company or evaluate the direction of your business. You may not notice that business has leveled off, your staff is unmotivated and you are burning out.

Make sure that you prioritize planning, include key employees and staff at all levels of the company and create a joint vision that will translate to a consistent company vision. Then, set financial and operational goals to follow that vision. Know what benchmarks you want to hit, and set up your own signposts.

Financial innocence

Many of those signposts will be based on financial measurements. Ferret out your erroneous beliefs and learn to track and understand your financial position. Even sophisticated contractors sometimes default to faulty reasoning. Delete these assumptions from your thinking:

- 10 + 10 (percent overhead plus percent profit) will guarantee a good price.
- Forecasting cash flow is a waste of time.
- Margin equals markup.
- We can beat the cheap competitors at their own game.
- More volume will cover losses on previous jobs.
- You cannot lose money on a time-and-material or cost-plus pricing formula.

To keep yourself rational, hire an accountant who thoroughly understands your business, and know enough about financial reporting and calculations to analyze your business and notice the warning signs of financial risk.

Operate on your operations

Smooth pavement can become rutted over time. Your assumptions about how your business should operate need to be reevaluated; take off the blinders. Your routines have become traps; look hard at all of your procedures and work processes. Your relationships with stakeholders may be sinking you instead of keeping you afloat; sever those ties that impede your progress. The beliefs and values that form your corporate culture may have become unexamined dogma. Don't wait for an explosion that rocks your foundation; find the

weaknesses in your support system and shore them up or replace some of the substructure before the business collapses.

Finding the wizard

Albert Einstein said that our problems cannot be solved at the level of thinking that created them. Higher-order thinking requires education, practice and flexibility, as well as the willingness to listen to qualified advisers, customers and employees. While you are busy searching for the wizard, your savvy competitors are looking behind the curtain.

Fortunately, you can stay on the road and avoid the potholes if you watch for them. The signs of failure are always there, and staying alert can protect you from flying monkeys. A little preventive research can help you stay out of trouble, and you might get to keep the ruby slippers as a bonus.

So, when your employees work like Munchkins, "laughing the day away," your banker acts like a cowardly lion, your customers have no heart, and the road seems to end before the Emerald City, keep your head. You still have your brain, and you haven't lost your way home.

Remember the lesson Dorothy learned: It's nice to have friends, and a bit of magic from Glinda the Good Witch, but ultimately, there is no wizard—just a human behind the curtain with smoke and special effects. The way home is inside of you. Stay alert and avoid the poppy fields.

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