The Element
of Profitability

Many Reasons Exist for Contractor Profitability and Attitude is a Common Ingredient

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I am sure this is a question you asked yourself many times. What separates the profitable contractors from the failures? Is it their extra expert knowledge in the field, their ability to outsell competitors, their superior business tactics? What is that magic ingredient that produces success? Let’s look at two successful but different contractors and try to pinpoint their reason for success.

Jack Smith has operated a successful contracting business for 25 years in Plainsville. Jack is a great hard-driving guy, liked and respected by his employees. On his days off, he travels to the Rockies to hunt elk or loves to fish for Muskie in Canada. Even though he is quite healthy and successful, you will never see him in a suit or tie. He dresses neat, but prefers jeans and a flannel shirt.

Jack competes in all phases of the contracting business at a profitable level—new work, time and material and remodeling.

Jack does quality work for an appropriate price. He is not afraid to look a customer in the face to give him a quote.

Jack is not a big shot. Like most contractors he started out as a tradesman. Jack has maintained that image and personality. He shoots the bull with his clients and workmen like one of the guys, but no one forgets he is the boss.

Next we have John Snowden, another prominent contractor who has operated in Plainsville for approximately 25 years. John is a businessman. He is always found in a suit and tie. Employs the sharpest accountant and lawyer in town. John maintains a very professional nature with his men and clients.

John enjoys dining out in fine restaurants, playing golf and gaming in Las Vegas. John is very successful and money is no problem.

John profitably deals in all aspects of the contracting business. He has tremendous respect from business associates. He plays the business game rough but fair.

Both Jack Smith and John Snowden are financially successful

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businessmen but as you can see from the preceding illustration they are virtually opposites in style. Of course, there are many factors involved in their success, but what point or points do these opposites have in common.

More than likely, the most important Single factor is confidence. Both Jack and John ran their businesses with a confident attitude. They both have the ability to look their customer in the face, give a price and not back down.

Profit is an attitude. Most contractors have the same opportunity, the same labor market, same material supplies, same available jobs, same weather conditions, and etc. So why are Jack and John continuously making money while a lot of their competitors are struggling? Confidence could be a key factor.

How does one gain confidence? Cost accounting, often referred to as cost management or cost control. Yes, cost accounting can be the key. Somewhere during the course of their business, Jack and John learned what it costs to run their business beyond direct labor and material cost. They both developed an hourly cost system based on fact rather than arbitrary guesses. They both know where their business stands on a day-to-day basis.

Confidence can be obtained through the day-to-day activities of our lives. For example, when you get out of bed in the morning and open your eyes, you are confident that you will have vision in them. You don’t ask yourself, “Will I be able to see when I open my eyes.” You have gained this confidence through the daily experience of awakening and being able to see the world around you.

This is the same process we can use to gain confidence in the operation of a business—through your daily experiences. Unfortunately the mistakes made along the way can be quite costly. Just as the man who has poor vision can employ eye glasses to help him so can a contractor call on education for assistance. Through cost accounting, business management, sales and other pertinent seminars a contractor can learn in a few hours what may normally take years to gain through experience.

Remember, a profitable attitude can be partially gained through confidence. Confidence can be gained through experience, but you may find it more advantageous to speed up the aging process by learning from others. Education may make you profitable years before your time.