

SURVIVING ECONOMIC DOWNTURNS

By Jayme Broudy, President of the Contractors Business School

My client Harvey, a \$1.7 million Midwest electrical contractor, is struggling with how to deal with the recession.

“What can I do?” he asks. “I can’t control the economy, the elections, gas prices, or the mortgage meltdown. Frankly, I’m a little worried!”

Currently, Harvey’s business is going strong and he isn’t seeing any effect from the current woes trumpeted by the news channels. Even if the gloom-and-doomsters are right, Harvey knows better; he didn’t build a \$1.7 million business during the last 12 years by thinking his business would disintegrate every time there was a bump in the road. But Harvey is concerned, like many of us, that although decades of history tell us otherwise, this time the sky may really fall.

Despite Harvey’s worries, he has weathered storms in the past, and he’ll weather this one as well. So, my approach with him was to cover some old ground, talk about his past successful strategies and make sure they were ready if needed.

Much of my work with Harvey has been done years ago, when he built the systems, processes, and plans to both run his daily business and have the capability to succeed in hard times. My job now is to reassure him that what worked before will most likely work again.

ME: “Okay, let’s go over the things you’ve done,” I say. “What was the most important thing you’ve implemented to help you survive all this time?”

HARVEY: “Well, if I hadn’t learned about managing cash flow, I’d have been in serious trouble. I had no idea how much cash reserve I needed, how to create it and how to manage it on a daily basis. Without that knowledge, I’d have been in serious trouble the first time I hit a slowdown.”

“Great. I agree. Cash is number one. What next?”

“I think really understanding my business from the inside is huge. When I was asked to build all those systems, I got to know how my business worked. I learned how one part affected another

and how much, how to track the key indicators, what each truck was producing and where my costs were coming from. Prior to that, I was just guessing and hoping I’d gotten it right.”

“And what did that do for your competitive advantage?”

“Well, I did what we just discussed about managing cash to make the business easier to run. As a result, it ended up making the operation more cost effective and my guys more productive. Essentially, that helped us reach a new level of professionalism, focus on our branding more and become one of the “top dogs” in the area.

Electrical contracting is a cyclical business: there are good times and bad times. If you aren’t ready to accept this without worrying yourself to death, you might consider another trade. But I think that’s half the fun for Harvey.

“That’s probably helpful if you want to be the last man standing. What else?”

“Another important task was making contingency plans for how I’d cut back on people and expenses. I couldn’t have done that without understanding the internal workings of my business first. Once that was in place, I could make plans for cutting back if I had to and know what the end result would be. I didn’t have to just react.”

“Remember the time you waited too long to pull the trigger and what a disaster that was?”

“That was a tough time. It was painful to lay people off and I knew I had waited too long. It ended up costing me, and I had to let them go anyway. In retrospect, it was a tough lesson to learn, but now I know that I have to look out for the business first, which will be fairer for

employees in the long run.

(At the end of our conversation I couldn’t resist jerking his chain a little:)

“Hey Harvey, didn’t you make a bundle by buying out “ABC Electrical” (not the business’s real name) when things went south for them a few years back?”

“Yeah; that guy was doing well but we found out he was spending every dime to keep his business expanding. When things slowed down, he had no cash to make payroll or pay his truck leases. At that time, I bought him out for a very fair price, hired his best employees and contracted many of his clients.”

“So you not only survived a few downturns, you’ve actually come out ahead?”

“Okay, okay. I get it and maybe you’re right. It is possible that getting through the slow times doesn’t have to be the horrible experience I make it out to be, especially if I’ve got all my ducks in a row ahead of time. I guess the worrying is more painful than what actually happens.”

That was the end of the conversation. I’ll talk to Harvey again next month and he’ll still be worrying, but that’s just Harvey being Harvey. But he’s proof that, with proper preparation, an electrical contractor can survive (and even prosper) when the downturns hit. The keys are to be prepared ahead of time and to operate from data-based plans rather than from the seat of one’s pants. Avoid reactive guesswork.

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Jayme Broudy is the founder and principal of Contractor’s Business School, a coaching, training and consulting firm specializing in helping contractors produce more profit in less time. Since 1993, Jayme has worked with hundreds of contractors in many specialty areas to build successful stand-alone businesses.



Enbridge Inc. and FuelCell Energy opened the world's first power plant to pair fuel cells with an emission-free process that converts waste energy into electricity. The Toronto plant will produce 2.2 megawatts of electricity, or enough to power about 1,700 homes. It is the result of a \$10 million development project, said Enbridge officials. It combines fuel cell technology, which produces electricity through a chemical reaction, with a turbo expander, which harvests the pressure energy from natural gas distribution to generate power using a turbine. "We take all the clean benefits of FuelCell Energy's fuel cell and we link them to a recovery of wasted pressure energy that also produces useful electricity," said David Teichroeb, who oversees business development of fuel cell markets for Enbridge Gas. Enbridge and FuelCell, which manufactures fuel cell power plants for electric power generation, are promoting the technology to other gas utilities. The North American market represents 250 to 300 MW of opportunity for the technology over five years, the companies say. Those included in the ribbon-cutting ceremony were President and CEO of Enbridge Inc. Patrick D. Daniel, the Honourable John Wilkinson and Chief Conservation Officer for the Ontario Power Authority Peter Love.

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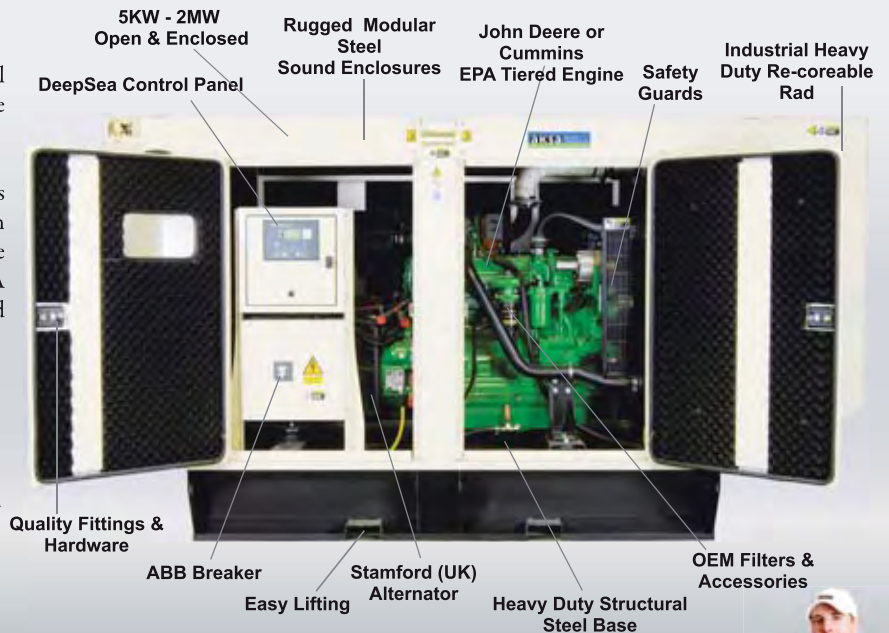
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