



# What Every Owner of a Contracting Company Should Know So They Won't Go Out of Business!

By Henry Goudreau, CSL - *"America's #1 Business Building resource for Contractors!"*

When the economy takes a turn for the worse, contractors plunge into receivership, but you can't blame the economy for everything.

Construction is a risky business, and contractors are risk-takers by nature. However, because of its cyclical nature; contractors have a tendency to over-extend their capabilities and capacities in the work they take on.

Even so, the real problem lies somewhere else, in the contractor owner himself, especially if the owner is distracted by the boats, planes, sports cars or race horses. This produces the snowball effect that accelerates their demise.

Contractors tend to be ego-driven individualists who walk a fine line between self-confidence and over-confidence. Often, decisions are made on "gut" feeling or desperation, rather than intelligent business analysis. It is not uncommon for many contractors to take on work that they would have been better turning down. Trying to maintain cash flow or sales can be their devil in disguise.

Chasing dollars and getting jobs just to feel good becomes the early warning-signs that the owner lacks the financial and business skills needed to drive a business through an economic downturn.

So, what does it take?

Well, if you can put your ego aside and admit you may have a problem, here are FIVE areas of your construction business knowledge you should know immediately.





1. **Know Your Markup.** It is amazing how many contractors use a bogus markup number. Every time I question the owner they have no clue where it came from, they read it somewhere or heard it from someone. As a matter of fact, it is the biggest selling e-book on my website, of which I sell more of them from midnight until 4 in the morning. Your markup belongs exclusively to you; you need to learn how to calculate yours.
2. **Know Your Best Job Characteristics.** Not every job is meant for you, unless you want to get first-hand experience working with the clients from hell. Analyze each job and owner based on specific parameters that help you make a profit and keep cash flowing with similar future work.
3. **Have a Plan.** You wouldn't build a project without a set of plans, why try to build your business without one? A good business plan gives you direction as well as, demonstrates organization and discipline. Very much like a flight plan, it gives you all the information you need to pull your business back on track when it goes astray.
4. **Know Your Budget.** Budgets are tools; you have a budget for the business and one for each job. Learn how to track, evaluate and correct.
5. **Know Your Capital Requirements.** You only have so much financial capability, and each time I see a contractor get themselves in trouble it is usually because of their monetary inability to fund operations. Ignore the growth urge and focus on making money with what you got.

Knowing and employing these five knowledge-based areas in your business will help you avoid the cash crunches that become your nightmare when you fail to utilize them.

