

MANAGING GROWTH: *Why Some Contractors Succeed and Others Fail*



2014 Webinar Series

*This Webinar is Sponsored
By*

PROCORE[®]

Today's Presenters

Sam Carradine

Development and Diversity Consultant
of



Surety and fidelity bonds: Protecting consumers, taxpayers and businesses.

Edin Zukanovic

Surety Bond Producer
of



Factors That Lead to Contractor Failure

- Unrealistic Growth
- Performance Issues
- Accounting Issues
- Continuity Issues
- Other Factors



Unrealistic Growth

- No Comprehensive Business Plan
- Change in type of work performed
- Significant increase in the project size
- Expansion into a new geographic area
- Rapid or over-expansion

Unrealistic Growth

No Comprehensive Business Plan

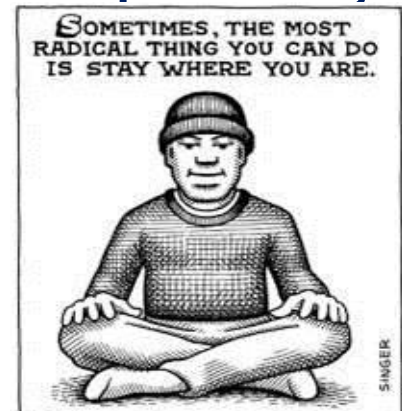
- Contingency plans are not developed
- No “road map”
- No goals
- No objectives
- Changes in Scope or Line of Business



Unrealistic Growth

Unrealistic Growth/Over-Expansion

- Expansion in volume, work type, or geography faster than resources allow
- Insufficient staffing and/or working capital requirements
- Changes in Scope or Line of Business
- Exhaust opportunities in your core competency before seeking work in other areas



Performance Issues

- Inexperience with new scope or types of work
- Personnel do not have adequate training or experience
- Insufficient personnel



Performance Issues

Poor Project Management

- Inadequate project management systems
- Inadequate supervision
- Inability to administer and collect change orders
- Projects not being completed on time
- Lead time to prepare bids too short



Performance Issues

Communication Problems

- Disputes between contractor and owner
- Company is continually involved in litigation
- Poor communication from management to field and vice versa
- Increase in backlog without adequate project management resources

Accounting Issues

- Improper accounting systems
- Working Capital Availability
- Inadequate cost and project mgmt systems
- Estimating or procurement problems



Accounting Issues

Financial Management Issues

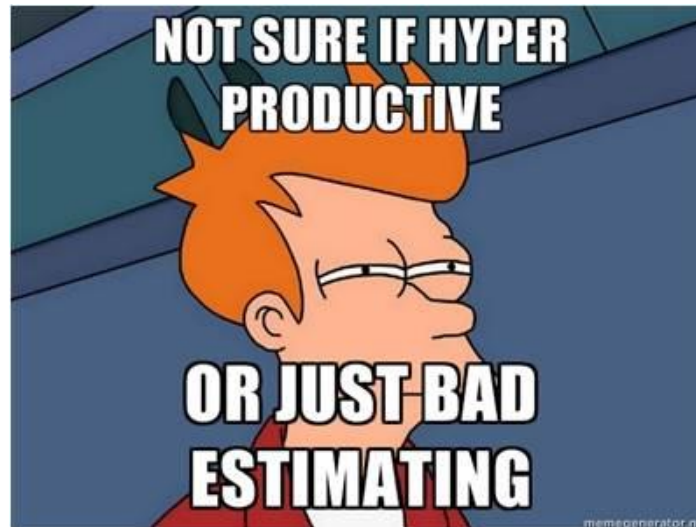
- The CPA does not understand Construction
- Inadequate cost tracking systems
- Working capital shortages
- Bank lines of credit constantly borrowed to limit
- Lines not being renewed



Accounting Issues

Poor Estimating and Job Cost Reporting

- Estimating or procurement problems
- Revenues and margins decrease over time
- Continued operating losses
- Bidding jobs too high or too low



Continuity Issues

- Contractor divorces, sells company, retires or dies - thus changing leadership or focus
- No ownership or management transition plan to ensure continuity in the event of death or disability
- Key staff leave company



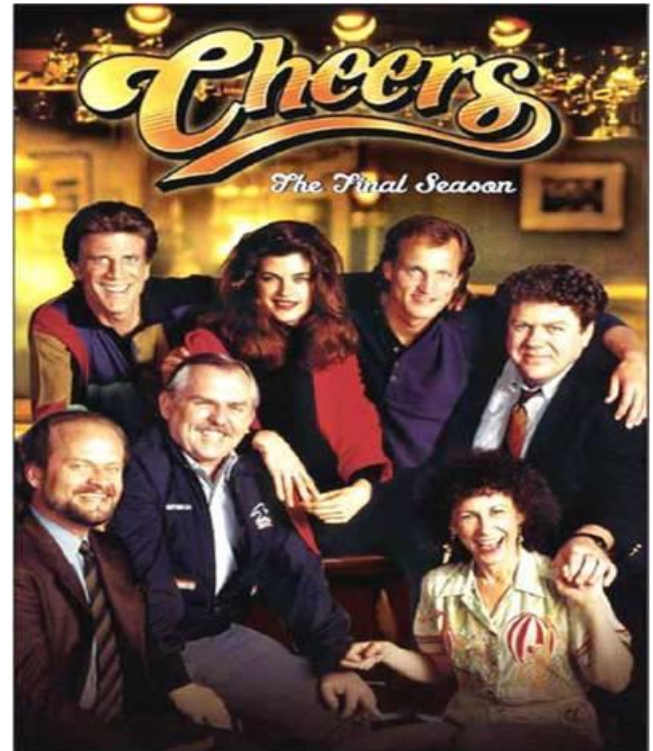
Other Factors

- Economic down-turn and high inflation
- Cost escalations (especially for materials)
- Weather delays
- Poor site conditions and/or building plans
- Labor difficulties (lack of skilled labor)
- Material and equipment shortages
- Owner's inability to pay
- Onerous contract terms



Other Factors

- Reputation for performing contracts on time and within budget decreases
- Loss of Loyal Customers



Thank You

Contact Information

Sam Carradine

Development & Diversity
Consultant

1101 Connecticut Avenue
Suite 800

Washington, DC 20036

Tel: 202-778-3638

E-Mail: scarradine@surety.org

Edin Zukanovic

Agent/Producer

1110 Herndon Parkway
Suite 307

Herndon, VA 20170

Tel: 703-934-1000

E-Mail: edin@sbabonds.com

