

Reversing The Recession

Schleifer Tells Contractors Market Troubles Don't Have To Dictate Their Business Practices

Since late 2008, pundits and prognosticators have given long-winded opinions on the current credit crunch, when it might end and what businesses should do in the meantime. While the issue is complicated enough to use a lot of words, it can also be summed up in two.

"It sucks," said Dr. Thomas Schleifer, who has delivered presentations around North America detailing how construction companies can prosper even in a crisis. "I know it sucks. It may be tempting to just load up on cheap work and take enough to get through it.

"Even now, though, there are things you can do to help improve your profit margins, and that's the key. If you can keep your profit margins healthy, you can not only survive these market changes, you can do well."

Schleifer's presentation – *Prospering In Cyclical Markets* – provided Builders Association members with a blueprint for staying profitable even as numbers for the industry as a whole continue to sink. He outlined basic strategies contractors can take to keep profit margins at their current level.

In particular, he cautioned against a company taking too many jobs a company wouldn't normally do just to pay the bills and discouraged contractors from looking at work stemming from the stimulus package as a cure-all.

"The stimulus may very well be the bane of our existence as contractors," Schleifer said. "There's a lot of talk about the good it will do for the industry and we seem to be convinced that it's going to rescue us. It will help some, but it's really too little, too late. We can't depend on it."

Schleifer compared the amount of work a contractor has had in recent years to water in a bucket. With the downturn evaporating a good portion of that bucket, he stipulated that the stimulus is capable of putting some water back in, but not enough to get a contractor to the level it was at before the downturn. The same would be true of work stemming from Chicago's Olympic bid.

Rather than depend on those outside factors, Schleifer suggested trimming workforce and resources now to the level a contractor thinks it can cover two or three years from now, depending on when the downturn ends.

"It's awful to think about letting go of good people," he said. "At the same time, if you think that two years from now you're going to have three-quarters of the workload you have today, you're better off getting to a three-quarters staff now. The stimulus and the Olympic work might improve your margins, but they aren't going to save you from doing what you have to do.

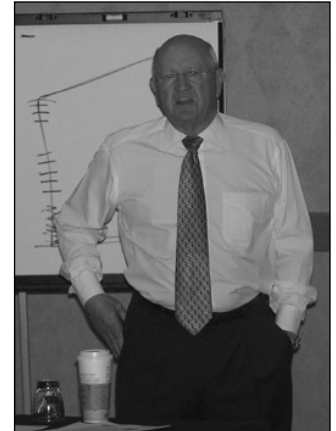
"You have to constantly be working to increase productivity and improve your balance sheet. Your credit ratings are going to be based on your balance sheet."

A strong plan for the future is important to any business, but it's even more important during an economic slowdown. Schleifer told attendees how plotting a course for viability until the end of

the recession can position them for greater success when the market does rebound.

"Nowhere is it written that just because the market's bad, you have to lose money. It's important that you do what you need to do to keep your profit margins healthy."

Dr. Thomas Schleifer (left) has delivered his presentation on prospering in cyclical markets from coast-to-coast, and brought his insights to BA members in April.



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