

# STRUCTURAL BUILDING COMPONENTS MAGAZINE

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## Do You Suffer From "Seasonal Truss Disorder"? by Kris Alberti

Too much work is a problem. Too little work is a gut-wrencher.

In seasonal markets, the owners and managers of truss plants have to deal with the yearly problem of a marked decrease in sales during the winter months. Northern component manufacturers have unique management issues due to the seasonal impacts on their production. Many truss plants see up to a 90 percent drop in sales during the winter months. Of course, this impacts cash flow, personnel and production consistency in any size plant. Small plants, however, are especially susceptible to "Seasonal Truss Disorder."

How can truss plants, especially small ones that don't have specialty management, deal with "Seasonal Truss Disorder"? The following points can help decision-makers to proactively deal with seasonal lows.

### LOOK AT THE BIG PICTURE

Truss plants are great places for bean counters to work. There are so many things to count: sales, production per man-hour, board feet used and plate inventory—just to name a few. Getting caught up in the minutiae of a particular season, good or bad, can have a negative impact on the morale of your company. Focusing on record production can cause you to set unreasonable goals and plan incorrectly for light months. The converse is also true; focusing on your worst months can leave you unprepared for your busy season, both emotionally and literally.

Set quarterly, semi-annual and annual goals. Make a model of past year's experiences or network with a noncompeting truss plant from a geographically similar region that has this type of information. Make employee incentives based on overall performance periods, not daily or weekly intervals. Use a production-measuring tool that reflects changing manpower, such as lineal feet per man-hour or board feet per man-hour, rather than total board feet, lineal feet or sales for a period.

### CASH FLOW PLANNING

We all do a certain degree of cash flow planning. However, it is amazing how many companies work off the "feast and famine" principle. Good planning will minimize the negative impact of decreased cash flow on your company.

### HOW ARE ACTUAL TRUSS PLANTS DEALING WITH SEASONAL DECREASES?

Kendall Hoyd of Idaho Truss took the following approach when dealing with his shift supervisors over the topic of seasonal layoffs. His goal was to reduce the negative impact of the layoffs on production, employees and the fiscal health of the company. They came up with three key points.

1) Plan conservatively for the winter months. Set reasonable goals year round.

2) Reduce the number of people on each shift, but don't eliminate the second shift. It's difficult to find key people to run on a second shift. Moving them to first shift or laying them off could cripple your ability to deal with a spring rush. Retain key people on each shift and schedule to keep them as

busy as possible.

What can you do differently? Long-term notes and loans can be set up with skip payments, often for no extra charge. Instead of setting these skip payments up during your slow period set them immediately after, when you will need cash to bolster your inventory.

3) Cross-train the employees and keep the trainers. It's easier to shrink a flexible work force than it is to make reductions in narrowly specialized staff.

Carry as little inventory as possible into the winter. Calculate the interest on a truckload of material, if you had to sit on it for 90 days, and give it a board foot value. For instance, a (30,000 bd. ft. at 500/m) \$15,000 truckload of lumber at 12 percent interest for 90 days would be about \$450 in additional interest (about \$15/m). It may be possible that you could buy just what you need from a local source for up to \$15/m more and be ahead of the game. Not to mention the fact that your lumber will be rotated more often in the winter months as a result.

Just remember, "good deals" going into winter have to include interest on the money borrowed or not invested or they may not be such good deals after all.

## LAYOFFS

The issues that arise from the impact of a long winter or a drop off in a building market are amplified for smaller plants. A bigger plant may have the option of drastically reducing its workforce without impacting key personnel such as designers, production managers, sawyers or lead builders. In a smaller plant, with less than 15 employees, losing five employees can seriously impact production later in the year.

Because labor is our biggest variable, layoffs seem the obvious answer to deal with major slowdowns in the production year. Unfortunately, there is some truth to that assumption. However, the ability to look at your fiscal year as a "whole picture" instead of the puzzle pieces of quarterly production and earnings will help you to make decisions about whether and when to lay off employees.

The first measure of whether you should lay off an employee has to do with labor loss/retrain cost ratio. Establishing the cost of hiring a new employee during the busy season is difficult, but not impossible to attain. Factor your hiring and training expenses including orientation time, drug testing costs and initial on-the-job training. Be sure to include any auxiliary training an employee might need you to provide, such as first-aid training and forklift certification. Give these a dollar value, even if it isn't completely accurate, it's probably a better guess than how you "feel" about hiring new people. After you get this figure, estimate the costs of mistakes or slowdowns that a new person will bring to the table. This new hire figure can be anywhere from \$1,000-\$6,000 and personnel experts often estimate the cost to be as high as 50 percent of an employee's annual salary! So, if you need to keep an employee working several weeks during a slow period, it may be more cost effective to keep him/her than to have to rehire another employee.

Next, figure out your best guess as to how long your layoffs will last. Even the best of bean

counters cannot anticipate perfectly what a market will do. Experience is the best guide, but for conversation sake, in the winter many truss plants run on one-third the volume of their summer months.

Several things can be done to lessen the negative impacts of layoffs on your company and employees:

- Help your employees plan for a potential layoff. Schedule specific dates for certain employees to be laid off and return to work. Stick to these dates, even if it hurts.
- Cross train key personnel so a loss of one person doesn't necessarily mean the loss of a position.
- Use temporary help whenever possible. Train your key people to use untrained help. Remind them that dealing with the frustrations of a green employee is worth keeping their own jobs through the winter.
- If you have a "seniority" problem, use cross training as a reason to keep your most talented people. Base your decisions on the employees' value to the company, not just the time that they have been employed.
- Don't always make layoffs a punishment. See if one of your key employees can take some time off and possibly vacation. Focus on a team concept and the need for a healthy overall business.

## **OTHER PRODUCTS**

It's tempting to address the winter blues with the addition of a low margin product "just to keep my guys busy." These range from fence parts to mini-storage sheds. This has worked with mixed results for different truss plants. Some find a niche market and actually make a profit during this season. However, many find it difficult to jump into a product and then give it up in the spring. This may ultimately irritate your newfound customers. Be sure that if you only plan to deliver a product temporarily that you let your potential customers know before their first order. People will understand if you explain your "winter program" to them, but will be angry if they set up a product or pricing structure around you.

Be careful that the new product doesn't make you lose your focus on truss production. Keep one team sharp on production per man-hour ratios, and set another on the new product. Allowing everyone to work on the new product may make you inefficient on it and your truss production. Set reasonable production goals for your winter team; don't make them so low that they feel good about the slower pace. Remember that bad habits taught in the winter will run into your spring production.

## **WEATHER THE STORM**

Many truss manufacturers handle the valleys of seasonal sales very successfully. No single approach will work for every truss plant, but a combination of looking at the big picture, cash flow planning, personnel management, additional product manufacturing, and other concepts can reduce the risks to affected truss plants. Help your key employees understand and buy into these concepts and your chances for success are greatly improved.

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Kris Craft-Alberti established Forum Truss & Supply in 1997. Forum Truss joined WTCA in 1999 and Kris was elected to the North West Truss Fabricators Association Board in 2001.

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