



The Big Picture

Diversification & Patience... Our Last Resources

by Kirk Grundahl, PE.

What you can do to stay productive and positive.

If you ever thought you had control of your business's destiny and that you had enough business savvy to out-think any problem, this is the business cycle that could easily bring you to your knees with humility. The marketplace just does not care if you do well or fail. There are several key lessons here for sure, the most important being that one has absolutely no overall control.

This is the most challenging time most of us have ever faced in business. We feel even more helpless when we're struck with the stark realization that most of what has happened to our businesses, even to the point where we may be forced to go out of business, is not due to fundamentally bad business decisions. What is occurring is a series of forced changes to all facets of our business. One suspects that by now you have no more significant options for cost reductions left, so the business game has to shift to what to do next.

As current WTCA President Bob Becht said in his final article, business diversification is a key word today. We need to be thinking this through. The fundamental question is if and how diversification will make a difference for business in the necessary timeframe. While patience is not easy to have in situations like this, patience coupled with focused, diligent, detailed, hard work may be the only resource that remains for some of us.

While each of our businesses are different in terms of goods and services provided, there are some common themes and concepts that may have value in considering. Here are four that I believe are the most valuable in our current environment.

1. Take a hard look at your sales function.

Challenge your team to communicate more with people who have a good feel for the market. What ideas do your sales staff have regarding the market and where opportunities lie? Attendance at local construction market oriented tradeshows will give you a much better feel for all facets of the local/regional construction markets. If you have not already been involved in your customers' local trade association, it is definitely a good time to do so. If you've been doing this all along, these relationships are likely coming in handy now.

Another approach is to go to the horse's mouth. Communicate more with current customers and ask if there are opportunities to help them. Their responses may initiate a dialog about how you could add value to their business. It is always valuable to speak in depth with your close customers because the things you learn from one can be easily applied to others.

Once you and your sales team has adequately surveyed customers, expand or alter services to meet their needs. This might mean partnering with them to move together into markets they (and you) may not have served before. If they have downsized like you, talk about developing a strategy, with them, to fill the gaps they have in their business with services that fit your staff's skill sets and their immediate needs.

Based on the direct marketplace feedback you gather pick a select few target markets to see what results can be generated and what feedback you gain and then adjust, adjust, adjust.

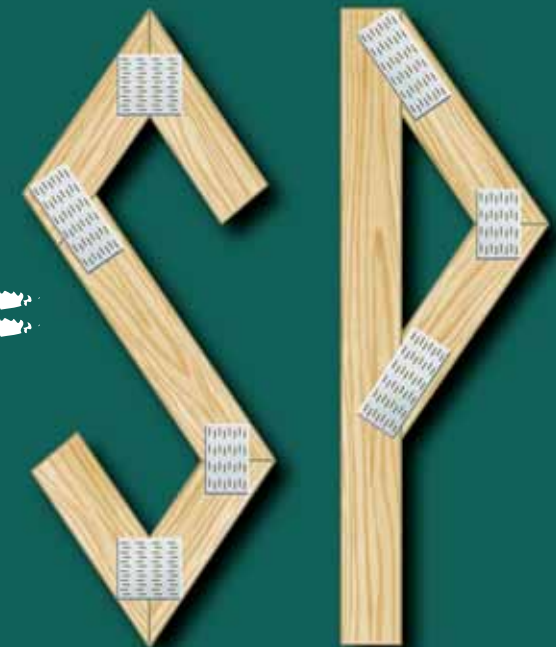
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at a glance

- ❑ Making sound business decisions in this business cycle provides no guarantee of business success.
- ❑ We must recast the notion of diversification and find creative new ways to serve customers.
- ❑ Beyond evaluating sales and product lines, defining clear objectives and consulting with industry peers for ideas are important exercises.

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2. Take a hard look at your product lines.

Seriously evaluate what diversification means to your business and how it can be implemented. It may mean getting into washer/dryer sales. I hope it doesn't come to that, but the point of conducting this exercise is to identify the low-hanging fruit that can generate cash now and allow you to build business in an alternative direction(s).

I'll be more specific. It might mean determining the areas of your business in which you out-perform the competition and seeing how those areas can be put together with a changed

or new series of product lines that will provide unique value in the marketplace. Alternatively, it could mean expanding more deeply into the residential and commercial/industrial structural framing marketplace to provide the full array of building material services including red iron, concrete, or any of a wide variety of complementary materials. Add more building materials to sell along with any unique services you can think of that will set you apart.

What product line or combination of product lines can you add in your market area that others cannot get easily and that would provide you with a unique offering? What about framing or building design? What about teaming up with a builder, framer and building designer to collaborate on projects and truly implement optimum value engineering concepts?

This is clearly not the kind of market that allows you to rule out options or be too picky about what you are going to be doing, so the goal will be to foster as much creativity as possible when brainstorming.

3. Develop clear goals, objectives & benchmarks.

Lay out realistic yet challenging goals and objectives that align well with the skill sets of your staff and the framework of your business. Focus on your strengths and the things that make you unique, and make sure that the unique features and benefits are present in your goals. Learning how to exploit this uniqueness will serve you well no matter what kind of business environment you are presented with now and in the future.

Next, monitor sales and marketplace feedback daily. Do not be afraid to abandon

objectives that are not working and quickly adjust the goals and plan. Dead ends, frustrating experiences and fluid adjustments will probably be the norm. Do your best to stay as positive as you can, and do not relent.

4. Tap your industry support group.

There is no better time to have a support group of non-competing friends in the industry to bounce ideas off of. This same support group also includes all of your suppliers. Every conversation and meeting presents the ability to learn, evaluate and adjust your current plan. Certainly there is an opportunity or idea that can come out of every exchange. It's up to each of us to look for it and capture the vision on how to take advantage of it.

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Learn from Your Peers at BCMC

There is only one place you can go to meet with the largest gathering of you peers that exists in our industry: BCMC. If you want to know more about your industry or business in general, you can learn a lot from your fellow agents in the field, said writer Geoff Williams in a recent Entrepreneur.com article. Williams quotes a British entrepreneur Douglas de Jager who joined a networking organization to grow his online property search site.

"Your peers are your best resource," said de Jager. "It was a way for members to share experiences and to learn from each other. It's amazing what ideas can come from a collective group."

Coming to BCMC provides a similar experience in peer-to-peer interaction. For instance, on Tuesday of BCMC week, component manufacturers are invited to attend a four-hour roundtable titled "Planning, Evaluating and Adjusting—Your Business Lifeline." Here you will have the opportunity to compare strategies, track benchmarks and discuss industry financial performance data with other component manufacturers.

When the roundtable is over, you've got the exhibits to look forward to. Compare notes on equipment, software and services with other attendees on the show floor. Spend some time making connections with newcomers and industry veterans. In the end, you can use these different interactions to improve your

own company in big and small ways—evaluate your current operation, analyze your markets and adjust for changes that can be made. Every new idea you take away from BCMC has the potential to make a difference in your success.

Find your own business group at BCMC, and tap your best resource to improve your operation. You've got nothing to lose! For more information about this year's show, see pages 41-51, review the enclosed attendee promo, or visit the BCMC website and register online at www.bcmshow.com.

"In a down turn is when you need BCMC the most. The networking you can do with other component manufacturers and the educational sessions are invaluable. You can also use this time to talk to other manufacturers on how they are handling the down turn in their market and with this information you will get great ideas that you can take back to your operation and implement. I think BCMC is one of the most important events that you can attend during a down turn in the economy. Cancel every other tradeshow that you attend but don't miss BCMC!!!!!!"

—Don Groom (2006 WTCA President),
Stark Truss Co., Inc., Canton, OH

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Closing Thoughts

There are no easy answers in any of this; much of your ability to stay in business in this environment is based on how much cash you have in the bank and how willing your banks are to support you through this rough patch. Our hope and prayer is that you all have a great support system that has come along side you when you are in a particularly challenging situation. Let's not lose faith. Here's to positive hope for our collective future. **SBC**

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