

THE ACADEMY OF ELECTRICAL CONTRACTING

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"One Contractor's Views on Management Philosophy"

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"ONE CONTRACTOR'S VIEWS ON MANAGEMENT PHILOSOPHY"

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As a professional electrical contractor, I consider myself to have been blessed with a heritage not enjoyed by everyone in our industry. I am the third President of an 85 year-old firm which has been successful continuously during that period, when the yardstick is profit ability. Our founder, Gerry Sanborn, who was President of NECA from 1908 to 1910, was as I remember him, and as described by my father, an imperious entrepreneur typical of that period. At his funeral, no one used the word lovable to describe him, but competitors, employees, and friends alike used terms such as tough, fair, and respected.

My father, who had been his Chief Engineer and General Manager for 30 years, succeeded him when he retired. Dad was an entirely different person. He was, first of all, a meticulous engineer, a constant technical student of estimating and job management, a work-aholic driven by his New England background, an introvert, and the company was his life. At his funeral, his friends in the industry praised his technical capabilities and his quiet contributions to the industry.

Both men had been a meaningful part of our industry in many different ways, but they both had one deficiency in common. Neither of them left any written word as to their expensively learned lessons or what became to them, philosophical truths about our industry.

Looking back to the point in time in my professional life when I really started to think creatively about our industry instead of doing mechanically what I had been taught to do, and when I first started to attend National and Regional NECA meetings, I found myself slightly in awe of the Titans of our profession, who were leaders. I KNEW they had a magical formula, which if followed, would guarantee success and riches. I am still waiting to hear this one formula. What I have learned from experience, however, is that all successful people have an overall formula made up of many parts and pieces of simplistic philosophy. Some are so obvious that to repeat them seems trite. Yet, when you ignore them you have problems.

Let me cite one example:

"In the free enterprise system, if you do not make a profit you will eventually go broke."

Now, few people here today will disagree with that statement, but as true as it is, look at the percentage of our members who either do not know it or have forgotten it.

The point I am leading up to is that I believe that members of the Academy are in the unique and strong position to publish a basic list of such truisms or statements of business principles. Perhaps with the prestige of our organization behind it, people on the way up might learn from it and avoid making some of the same mistakes we have made which make these observations valid.

So now I am going to give you a partial list of my personal observations hoping to draw comments, additions, and perhaps your own favorite philosophy. I hope that in the next several years to update and expand the list from such contributions.

These remarks are divided into two parts. The first deals with general management, while the second concerns manpower.

You will never lose a nickel on a job you don't have.

Therefore, you have to know when to profitably say "no". Rationalizations leading to reducing your estimated labor costs during bid offerings never seem to work out. Bad jobs always get worse, and a job on which you have lost money is a detriment not only to you but to the industry. Thoughts of revenge have no place in business judgments. Your only reason for being in business is to make a return on your time and financial investment, and this is called profit.

You may have assets coming out over your ears, but if you don't have cash or access to it, you are in real trouble. Cash flow analysis is extremely important, and it follows that we must keep our banker and bonding company well informed and sympathetic. Good records are a must. They must not only meet the laws of the land, but they must also be readable and capable of interpretation like a doctor's chart at a hospital.

Political campaign managers have an axiom that goes like this:

In a given neighborhood, there are sure votes for a candidate, and there are other votes available if you will seek them. In our business, our existing customers are the best sources of new business. In selling our services to a customer, bear in mind that he is more interested in what we can do for him rather than how great we are. A job that has been negotiated or sold does not involve your competitors opinion as to what the price should be. Since clients rarely worry if we do not make a profit, don't feel guilty should an occasional windfall profit occur - you'll need it for your next bad job.

An estimate should be honest in its main body. If you want to play games with it, do it on the mark-up line where you can see it all at once. But taking a job at cost or below and betting on extra work to pull it up is like playing Russian Roulette and is just as dangerous. A well-managed job should finish within your estimate, not too high, nor too low.

There are two things I learned about getting paid for our work. 1) a disputed bill gets harder to settle in direct proportion to its age; and, 2) don't be timid about asking for money due or in securing your position or protecting your interests.

When you have a bad job - and bad jobs always seem to get worse - be sure you understand why it happened. This is part of the tuition we pay for our education.

And speaking of tuition, our membership in NECA has been one of our best investments. As one who has taken advantage of most of the courses, seminars, and workshops developed by our National Association, we find the challenge of different viewpoints or the reinforcement of our own theories to be like a breath of fresh air in a situation which has become stagnant. Also, what value can you place on a frank discussion of a problem with an old friend in or outside of the Academy, who has been down the same road? If you are not afraid to expose your ignorance by asking questions, you can learn a lot.

Moving into the second part of my thoughts about people, we try to hire "success seekers" rather than "failure avoiders" and we believe strongly in this difference in attitude and motivation. We try to develop these people and depend upon their strengths and

stay away from their weaknesses, but when criticism is indicated, it should always be constructive and should always be given in private. Since I am not a mind-reader, I don't expect my employees to be either. I recognize the likelihood of being misunderstood, and so, all rules, regulations, and job descriptions are written.

Mechanical aptitude is a must for everyone in this industry. Without it, there can be no ingenuity which is so necessary. Like common sense, this is a talent which cannot be taught. We try never to fail to recognize a job well done, for recognition is a very basic human need. If a bonus is in order, the size is not as important as is the actual award.

One must delegate responsibilities after they are carefully described. Although supervision and discipline must both be constant and uniform, don't feel badly if things aren't done exactly as you would do them as long as the results are satisfactory. Moreover, you may learn a new trick yourself.

Interpretations of the working agreement by business managers tend to be one-sided. More factual interpretations may be obtained from your Chapter Manager or Regional Director. We all know labor is an expensive commodity and should be treated as such. For example, try to schedule work to avoid peaks and valleys in man-power on the job, and avoid overtime like the plague.

This means we need good supervision, for using labor without proper supervision is like handing over the keys to your cash drawers and saying "help yourself".

An incompetent man on the job during labor shortages, or any other time, is not better than no man at all. He, invariably, is the man your customers see and by whom he judges the rest of your crew. Also, he has to be carried by your better men and this lowers

their efficiency. Discharging people for incompetence or other cause, while never fun, is a business judgment and should be done in a pragmatic way. In most cases, the person has been aware of the pending action and is expecting it.

A few final thoughts about supervision of the workmen before concluding. When labor on the job exceeds the estimate, the basic cause, providing the estimate was correct to start with, is using two men to do one man's job. Three men on one job will not do three times what one man will do by himself. Also, all men who can run a three man job successfully cannot necessarily run a ten man job successfully. (The Peter Principle) A foreman who works harder physically than his men may be the wrong man to be foreman, and the forman who has planned two days ahead is a pure jewel. You might ask your foremen, when making job inspections, what his plans are for the next few days. It is important to us to train supervisors to think defensively and to prevent the loss of labor, not to beat people over the head to work faster.

You have heard about the farmer not making money, the dairy man not making money, the meat cutter and the packers not making money, and the wholesaler and retailer not making any money, so therefore, the cow must have the money. Like the cow, there must be a lot of money in this industry; few people have taken it out.