

THE ACADEMY OF ELECTRICAL CONTRACTING

**Paper Presented by
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Sales is Work

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Good morning.

At the outset of the presentation of this paper, I would like to pose this question:

Can anyone here state and prove with absolute certainty that the world positively must have electrical contractors, that things just could not go on without them?

That is a rhetorical question, asked without anticipating an answer.

Does the world absolutely have to have electrical contractors?

Before I finish this morning, I plan to give you a response to that question. It is something which must be addressed, particularly now with the onset of all the twenty-first century phenomena going on around us.

That's right: the twenty-first century is trying its darndest to begin. In the past three or four hundred years the centuries seem to have developed a habit of getting started early. They have not wanted to wait around for those double aughts that mark an official beginning. The decade in which we are now living is not so much the ending of one epoch as it is the beginning of another. The nineties will prove to be more like the aughts than like the eighties.

The '80s was the decade of deregulation. It saw the crumbling of institutions which were at the very core of the twentieth century. Many temples were toppled. Just about everything around us, including our own electrical contracting industry, directly or indirectly got "deregulated." In the final days of the decade even the communist world underwent its own version of deregulation.

In the case of our own business, electrical contracting, the swing in marketshare dominance from union to non-union was totally confirmed. Although that fundamental change has been the central concern of many people, in and of itself it is not the main reason that electrical contractors may best be described as an "endangered species."

Think for a moment as to how work can be classified on a spectrum ranging from "low tech" to "high tech." Consider how electrical contractors have lost - or have failed to capture - work which visionaries in bygone years might have predicted to be someday in the province of electrical contractors.

Start at the "low tech" end of things where we now see common laborers and others doing work that in another era might have been expected to be done by electrical workers. In this market arena, however, the key factor is cost. To borrow a term from the manufacturing sector, in the low-tech aspect of construction to be competitive you have to be a "low-cost producer." In other words, it is virtually impossible to justify to a customer why he should have to pay more to us than to someone else to perform

relatively unskilled work.

As an aside, I have to point out that if the NECA-IBEW segment of the electrical industry had not for years failed to honor a standard provision in every local union agreement, namely, to maintain a three-to-one journeyman-to-apprentice ratio, things might be different. Were it otherwise, today our contractors would to a much greater extent be able to pass on to their customers the benefits of lower average labor rates for this "low-tech" work and indeed every other kind of work. Incredibly, all across the country since the late '70s employers and locals have turned a blind eye to this three-to-one requirement which is clearly printed in every single agreement book. Meantime, while the total number of employed persons, particularly in service industries, has grown substantially in the past several years, the percentage representing unionized electrical workers has slipped.

At the "high tech" end of the scale as well unfortunately in too many instances when opportunities arise electrical contractors are not necessarily called upon, or even considered, as a natural choice among possible providers of services that are needed. Particularly where the work has to do with systems, not just circuits, customers do not automatically look to electrical contractors to fill their needs. A quick glance at figure 1 will indicate the kind of potential that exists in high-technology markets.

Meantime, in some areas of high-tech work the war within our workforce, the cultural conflict between categories of electrical workers, has had its impact in preventing our industry from realizing its full potential in the rapid expansion of new developments in computers and communications. Senseless ongoing rivalry has retarded our ability to address the needs of this marketplace. Remarkably, twenty years after the beginning of the total restructuring of the telecommunications industry which has opened it up to competition, we are still struggling to institute a so-called "teledata" agreement.

You are not hearing from a doomsayer. You are not hearing from a pessimist. For as my father has put it so many times, "You have to be an optimist to be in this business."

The question is now, however, what do you have to be to stay in this business?

From the grander perspective of our entire industry, a larger question looms:

One hundred years from now, will you find electrical contractors in business - or in museums?

Dinosaur companies that travelled the country just a decade ago are now extinct. If you come across a 1980 edition of Engineering News Record ranking the largest specialty contractors of ten years ago, compare that list to today's lineup. Where are they now?

As the IBEW contemplates its first century anniversary, it is a good time for NECA as well to regard electrical contracting in a 100-year perspective, looking both forward and backward.

This lengthy preface is not intended to stray from my topic. Rather, it is meant to lead right into it.

"Sales is Work" is the title. Like so much of what is written and discussed in this category of endeavor, the subject matter here is based mostly on opinion. Sales is an art. But for useful analogies here I have resorted to science, in this case basic elementary physics where the word "work" has a particular connotation.

1. Sales is work. If sales is work, then we have an equation: "Sales = Work"

By definition, energy is the ability to do work and determine the amount of work which can be done. Which leads us to our next theorem.

2. Work needs workers. Like every other kind of work, sales work needs someone to perform it. Like every other kind of effort, in this case results are directly proportional to the amount of energy expended. A part-time effort will yield only partial results.

Which leads us to the next level of our thought process here.

3. Power equals work over time. Bending that definition slightly, let's restate it to say, "sales power" equals "sales work" over time.

In keeping with the scientific vein of our analogy here, let's look to a graph that depicts sales work in a symbolic fashion.

In figure 2, we see sales work represented by a curve with four segments. The vertical scale on this graph is "Work." The horizontal scale is "Time."

The first segment labelled "Canvassing" is shown as requiring much work at the beginning. Much energy is required. It is here that "inertia" must be overcome. It is here that you have to sort through sales leads, to arrive at a short list of prospects derived from a long list of "suspects."

Any electrical contractor facing personal difficulty in getting started at this point in a sales effort can take comfort in one certainty:

Professional salesmen, that is, persons who make their living at sales on a salaried and/or commissioned basis, hate this part of the process as much as anybody does. Searching for leads is a least favorite aspect of any salesman's job. It requires time and energy. It rewards little. But it has to be done.

The second segment labelled "Prospecting" brings us closer to the point of finally having something tangible to dig into, namely, an inquiry. In the course of this phase through various means including actual sales calls, we de-

velop enough potential prospects, based upon a 20-25% success ratio in our proposal-making, to yield the amount of business we need. By the time the Prospecting phase has elapsed, we are ready to start the estimating and other work that will result in a proposal.

So far the most important thought to be gained from the symbolism of this chart is that the whole process does not begin at the time of receiving an inquiry for a bid. It starts much earlier.

At this point, however, we must address a fundamental question which underlies the real disbelief that many contractors have regarding sales activities. Consciously or unconsciously contractors lack faith in the benefits of pure selling because, after all, most situations for them involve bidding. By and large in their experience "the low price gets the job."

The apparent contradiction of selling versus bidding can be resolved by recognizing a simple truth:

"Selling" is what you do to improve your chances at "bidding."

Basically, bidding cannot be avoided, even in so-called "negotiated" work. Selling merely increases the likelihood of winning at bidding.

The third segment of the curve labelled "Proposing" includes all that is part of the estimating and proposal-making process leading up to the bid date.

In the final segment labelled "Closing" which shows a rising requirement for work effort in the later stages of the process, all of the rebidding and negotiating needed "to get the order" takes place. Contract award is at the end point of this curve.

From here on in any going concern the process has to be repeated. When it is repeated the sales cycle retraces another symbolic curve with the same four segments.

This time, however, there can be a major turn in events because the curve can now describe an effort to get "repeat" business from an "existing customer."

The great value of repeat business is a proverb in our industry.

To be more descriptive the chart should now depict a 90 degree turn as shown in figure 3.

Now there is a distinction between the mainstream of sales efforts for new jobs and the special channel of work opportunities which may flow from an existing customer who provides repeat business, new contracts at a later date.

The sales efforts for all new work in general are like travel on an interstate highway, high speed and, from time to time, slightly dangerous amidst all of the traffic.

The sales efforts directed toward an existing account are more like travel on a side street, less congested and much safer.

Both kinds of sales efforts require good driving skills. Both require being alert behind the wheel. But they are markedly different in the same way that new construction is different from maintenance work.

In either instance the work involved truly requires a dedicated worker.

Hence we have reached the most important consideration of this whole discussion. If we really focus on the notion that sales is bona fide work in and of itself, then we can go on to the conclusion that it does indeed call for designating a full-time worker to it. In other words, as readily as we have all along accepted the idea that we need foremen, estimators, buyers, accountants, secretaries, and other specific types of workers, we legitimately require someone whose whole purpose is to lead the sales and marketing planning and activities of the company.

Since about 90% of all electrical contracting firms have fewer than 20 employees in total, the proposition of hiring a salesman is not realistic for most companies.

But in those companies that are large enough to bear the overhead expense, that is, in that small percentage of firms which collectively account for perhaps 40% of the total marketshare of electrical contracting, I suggest that having a person on board who is wholly dedicated to sales is a must, for both the firm and in a larger sense for the industry.

While I am certainly not suggesting that individual companies somehow take on sales people to benefit the industry per se, I have to say that I am convinced that with the increased presence of full-time sales people in electrical contracting the industry will indeed do better - and improve its prospects on the whole for the future.

Properly-trained and capable sales people can bring to electrical contracting a marketing-oriented viewpoint that it does not now possess.

Sales people in the ranks of electrical contracting will broaden their companies' range of services not so much because they have "sold" customers certain contracts but rather because they have recognized new and emerging opportunities stemming from customers' needs.

There is not time here to delve into the subject of what kinds of qualifications such sales people should possess, nor the question of where candidates for this role might be found. There is, however, one point in this regard worth noting. It concerns the role of the owner or manager of the electrical contracting firm.

Classically, he (or she) has been the breadwinner, the rainmaker, whatever you choose to call the "top salesman." He or she has often been the one most responsible for winning new business. In doing so he or she has taken on this one responsibility along with many others.

My point is, if individual companies and, indeed, this

whole industry, are really going to go forward in the coming decades, someone other than the boss is going to have to be assigned the full-time job of sales and marketing. It will not do for firms to confine business development to the part-time efforts of the company president or anyone else. Without this kind of direction we will continue to be an industry that is merely reactionary but not responsible to what is in its environment.

Without this concept of having a person dedicated full time to the sales and marketing efforts of the company, there will be a lesser chance for electrical contractors to develop creative solutions to customers' problems that will lead to expanding the horizons of the industry.

If it remains a business of merely bidding versus selling, electrical contracting which is a phenomenon that is barely a century old, could go the way of so many lost industries that simply did not move with the times. They got lost because they did not have a sales and marketing perspective.

If there is a feeling that half the time we work for "customers" to whom we could perhaps "sell" and by contrast the other half of the time we work for general contractors to whom we can merely bid, I have to say I see no distinction. Although we may think of general contractors more as combatants than as customers, the fact is, salesmanship has a role with all clients.

NECA can help along the nurturing of the concept that this industry truly needs sales and marketing professionals. If NECA were to restrict certain of its seminars and classes from time to time to be specifically for sales persons only, a big step would be taken. The classification of "salesman" could receive recognition to take its place among other regularly-accepted job positions.

Finally, to return to that rhetorical question at the beginning, "Does the world absolutely have to have electrical contractors?", my answer is simply "no." I cannot think of one single reason that having electrical contractors is essential to the future of the planet Earth.

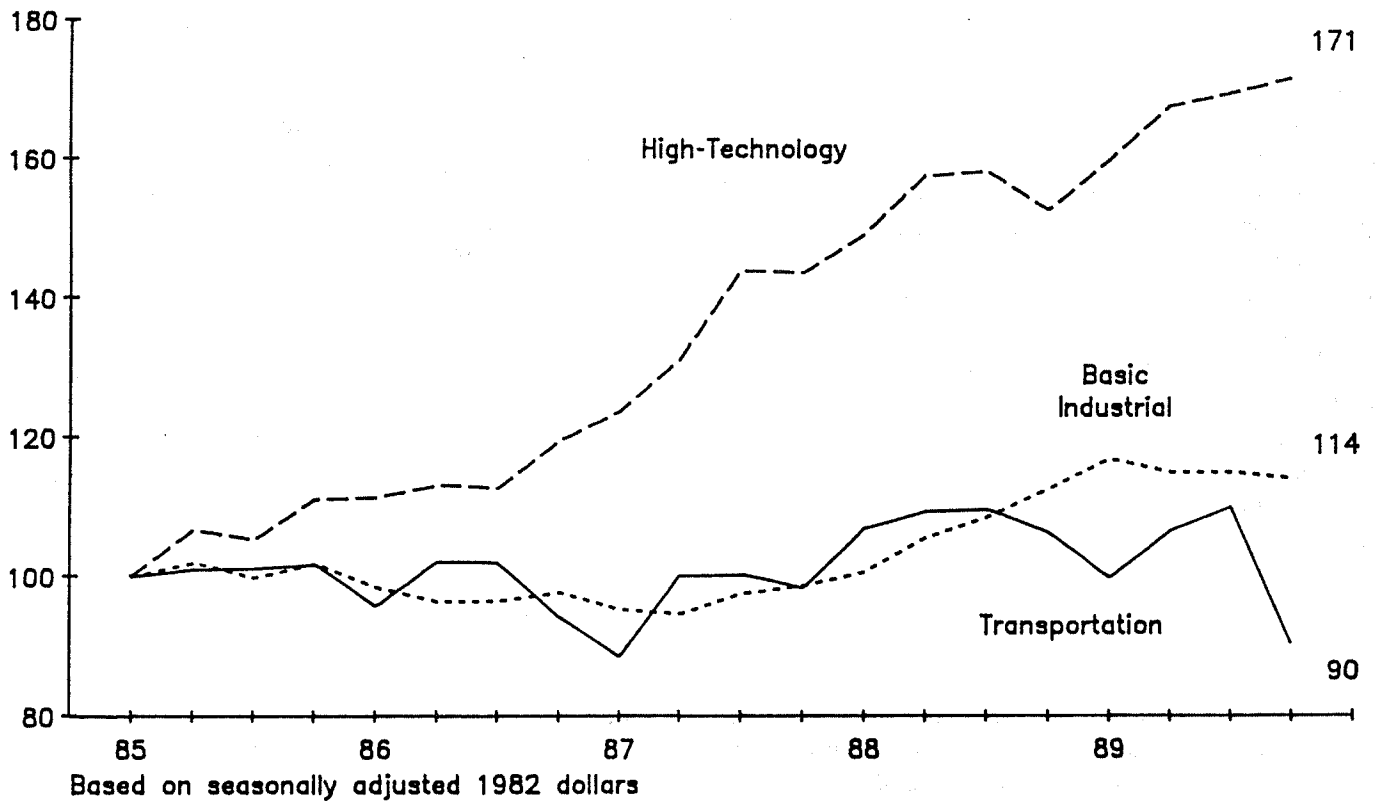
But, at the same time, I have to insist that, with the proper kind of sales and marketing, which can only come as a result of there being designated sales and marketing people in the companies who are large enough to have them, the possibility exists that customers can be convinced that they not only need electrical contractors but, more important, that they want them. And we all know from personal experience that people are willing to pay much more for what they want than for what they need.

Thank you.

"SALES IS WORK"

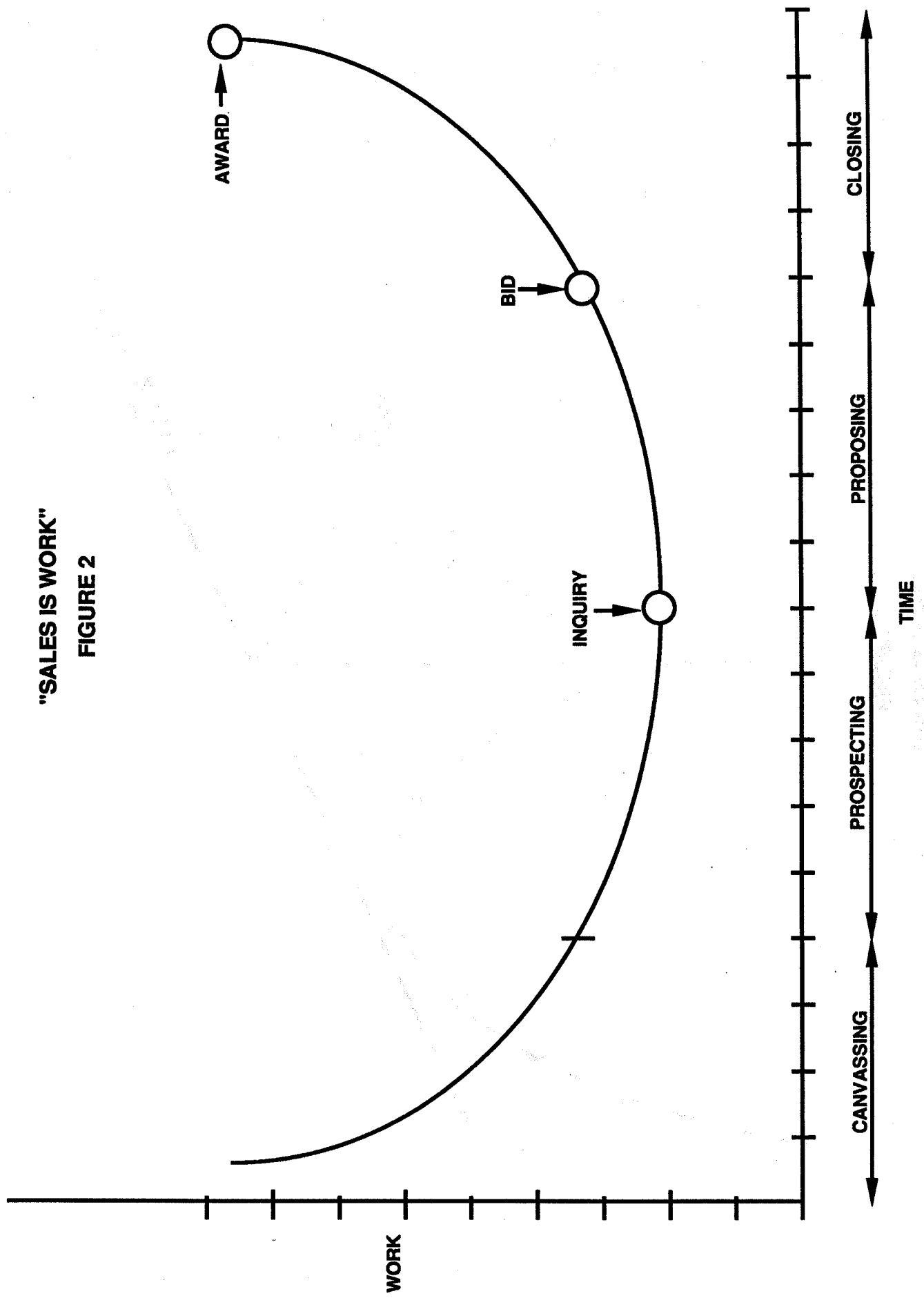
FIGURE 1

Business Equipment Spending
1st Qtr 1985 = 100



Source: Mellon Bank Economics Department, March, 1990

"SALES IS WORK"
FIGURE 2



"SALES IS WORK"

FIGURE 3

