



On the Level:

Attracting and Retaining Good Contractors

BY JACK JENSEN

Q “I’m the new construction coordinator for (Anytown NHS). For a variety of reasons, the contractors who used to work for us have disappeared to the point where we no longer have enough viable contractors to get three bids on jobs. How can I rebuild my stable of contractors?”

— Name Withheld Upon Request

A Dear “Withheld,” we feel your pain. As the gap between the rich and poor has widened, many of the smarter contractors have figured out that the best money is at the high end. Therefore, many can no longer be bothered with the kind of work that nonprofits have to offer. Add the new lead-based paint requirements, which affect the nonprofit world without affecting for-profit builders and developers, and you find the common problem of disappearing contractor pools. It’s really three problems – attraction, development and retention. It’s easier to maintain an existing relationship than to attract and develop a new one, so your first priority should be to

retain the few remaining contractors on your list. That alone can be challenging.

Let’s face it – your sales pitch to contractors leaves a lot to be desired: “You get to do basic, often-uncreative, always-low-cost work on some really run-down properties in some of the highest-crime neighborhoods in town. You get to do 10 times the paperwork, of course, and we’ll have to get you and your workers trained and certified in lead-paint removal techniques. You’ll be bidding against the (other) cheapest guys in town, and the low bidder always wins. Obviously, you’ll have to wait a really long time to get paid. Care to sign on?”

Your challenge is to change their tune to this: “I love working for Anytown NHS. They pay on time and they provide me with a steady flow of work. They also pay on time. They insulate me from the clients, and they pay on time. I get to feel like I’m doing my bit for the community, and I actually make a decent profit on their jobs. And, of course, the best part is that they pay on time. Did I mention those timely payments?”

Pay Promptly

Make no mistake: The best retention tactic is prompt payment, since late payment by the “gubmint” is usually the contractor’s number-one gripe. If your current system requires a two- or three-week gap between the contractor requesting payment, and the payment arriving, signed and ready for cashing, then it becomes your responsibility to reduce that lag time.

You may have to set up a more flexible payment system,

in which you, as construction manager, are empowered to request a progress payment before the work is really done. You hold the signed check until you have had a chance to inspect the completed work. In other words, you have to “lead” the contractor’s progress to keep his cash flow going, but “top drawer” the check until it’s appropriate to release it.

The key to this tactic is a good system for flagging checks that aren’t ready for distribution, because the contractors can be pretty wily about getting checks from the admin staff when you aren’t around. And you must be diligent about not releasing those checks until you’ve verified that the work really has been done to your satisfaction, or you may not only find yourself in deep trouble, but also your system will quickly collapse back to the old days of checks/balances/delays/unhappy contractors.

Refine Your System

The second-most effective tactic for retaining contractors is to make your jobs run as smoothly as possible. This means accurate and reliable scopes of work and bid documents, superior job coordination, and some flexibility on your part.

Contractors make money on jobs they can finish quickly. They hate it when their materials (i.e., money),



tools, equipment and schedule are tied up while the job waits for something – a backordered part, a balky subcontractor, a decision on a change-order, and so forth.

If you're doing your job well, the time between start and finish is minimal. Over time, as you get better and better at your job, the average completion time should decrease. Do you track this? Your supervisor should, and it really ought to be a key component of your job performance.

Actively Manage Your Jobs

The third retention tactic is insulation. No, I don't mean fiberglass or cellulose. By insulation, I mean protecting your contractor from your client, and vice versa. Either of these



parties can take advantage of the other, and many will certainly try. The client may attempt to get extra work done for nothing, or to get extra work added to the grant or loan that's not allowed. The contractor may try to get extras approved, or substitute cheaper materials, or cut corners, and once they feel they've gotten the okay from the homeowner, they'll proceed. This invariably means trouble.

Most rehab programs are set up so that the construction contract is technically between your client and the contractor, and thus you and your agency are positioned to act more like a lender than a construction manager. However, the de facto reality is that you and your agency are responsible for the job, despite what the program guidelines might say. Any problems will end up on your desk anyway, so you might as well accept the fact that

you're the key figure in the process.

The best rehab programs ignore that they're not party to the contract, and proactively manage the job. This requires two preconditions: You have sufficient time and budget to manage the job correctly; and the contractor and client are both aware of your role. Assuming that these prerequisites are in place, then your role becomes that of Supreme Communicator.

In the best of circumstances, the contractor and the client should certainly be cordial, friendly and polite with each other, but they should communicate through you. In the long run, this will be better for everybody. The contractor and client will both be getting their direction from a competent professional. I can't stress this enough: You're the pro. You understand both the project and the funding restrictions far better than they do, and you must establish yourself early on as the ruler of the job. The way to do this is to establish clear procedures, expectations and timelines, and to track them.

How does a construction manager impress a contractor? By being on top of things. Impress them with your professionalism. Record all pertinent job conversations in a job log. Keep your promises, be on time, follow through, and, above all, don't b.s. The person who always has the quick answer indicates to me that he or she either don't listen carefully enough to the questions, or doesn't care as much about being right as about appearing to be smart. Nothing builds credibility more than the simple phrase: "I'm not sure, but I'll find out." It tells people that you're honest, careful and real.

Provide Profitability

The fourth tactic is to provide profitability. Anytown NHS may be a nonprofit but your contractors aren't. This is a key concept: You must find the proper balance between providing affordable housing and bankrupting your contractors. The contractors



need to make money on you, or they'll be gone forever. So you can't nickel-and-dime them to death. Don't ask them to do extra work for free.

Provide sufficient contingency so that unforeseen problems can be covered. And do your homework up front, to minimize those unforeseen problems. Taking the time on the front end to investigate existing conditions, and thinking the job through, will save you headaches and money on the back end. This will make it possible for your contractors to make a profit, and that will make it possible for them to remain your contractors.

Maintain Job Flow

The final retention strategy is to provide job flow. Contractors are like sharks – they have to keep moving and eating or they die. One advantage you have over most of their other clients is that you will be able to hire them several times a year, while their other clients may hire them only once a decade.

So your challenge is the balancing act between maintaining a sufficient stable of contractors and keeping your best contractors busy on your projects. Have some frank conversations with them. Find out, in an ideal world, how many jobs a year they would like to do for Anytown NHS. Then try, as best you can, to keep your best contractors as busy as they want to be. If that means steering contractors and clients a little bit, so be it. Stay within the letter of

the regulations and your organization's policies, but try to provide the better performers with the right jobs, in the right amounts, at the right times. It will pay off in the long run. Because these will be the contractors who will perform for you when you really need it.

Perhaps you've noticed that I haven't yet answered your question, which was about attraction, not retention. But if you can't retain them, why bother attracting them? So, now that your policies and procedures are set, you can worry about courting new contractors and developing them into a useful workforce.



Courting New Contractors

Start with contractor feedings, especially during the "down" months. Host free informational breakfasts, or have a "pig-pick" (barbecue) – anything where they get free food and drink – and you get a chance to tell them about Anytown NHS. Consider using the local homebuilders' association as a source for leads and introductions, but invite everybody in the phone book anyway. Then call the ones who didn't show and try them again. Contractors can be kind of balky. They don't like to try new stuff, but they will, so keep after them until you get turned down flatly and definitively.

This method has distinct advantages. First, during these phone conversations, you get the chance to build relationships. As a bonus, you'll at least get a handle on why you're losing contractors, because they'll probably tell you, (maybe in more detail than you'd care to hear). (Contractors are like that.) But you can use that negative information to change your practices, or, at the very least, you'll be able to explain why your objectionable policy can't be changed. You may not get the contractor signed up, but at least you'll be increasing the awareness in the local building industry as to what some of your challenges are. And awareness breeds understanding.

A helpful hint: Use any happy contractors in your stable as ambassadors to new prospects. The reality is that contractors are pretty amiable competitors. They all bid against each other; they all know each other; and they even hang out with each other. They may well trust their competitors more than they trust you, so let your contractors deliver your sales pitch.

Developing Your Own

In some cases, you may have to grow your own. As a nonprofit, you may be in a position to serve as a business incubator for small contractors. This enables you to offer them something of value besides just a chance to bid on jobs: training. Many NeighborWorks® organizations have sophisticated contractor-development programs, ranging from simple lead-based paint training or building code instruction to more sophisticated classes on computers, estimating, project management, business law, accounting, OSHA regulations, human resources, and so forth. The struggling handyman operation of today could, with some careful nurturing by you, become the successful rehab contractor of tomorrow.

And you may be able to offer them something of even more value – wage subsidies, workforce development dollars, tax deductions, free apprentices, or donated tools. As a nonprofit, you have access to job training programs, economic-development dollars, and donations they can't touch without you as their intermediary.

For example, you may work a deal with a local agency that provides workforce development; let's call them Anytown Community Action Program. The CAP needs places for its trainees to learn; you've got job sites. The contractor probably needs trained workers – you can supply them with graduates.

Or you may work a deal with a local building supply company, for donated tools, for example. Say you get Big Box Lumber to donate 10 circular saws. You give them out to the contractors as bonuses for completing a job on time, or on budget, or for minimizing change orders, or something. Big Box gets a donation, the contractors get a new saw, and you get happy contractors. Everybody wins.

Finally, the best advice I can give you is to ask the contractors themselves what would make a difference to them. And try to provide what they need. That buys a lot of loyalty.

Good luck, Name Withheld.

JJ ■

Jack Jensen (jjensen@nw.org) is the real estate development, construction and rural specialist for the New York/Puerto Rico District of Neighborhood Reinvestment. You can send questions by e-mail or phone, (607) 273-8374, ext. 13. A \$25 gift certificate from Sears will be sent to anyone whose question is used in the column.