

# Staying In Business And Thriving Over The Long Haul

The keys to a successful 25-year career in the BSC industry

Let us assume that most businesses have a 25-30 year life span under the leadership of one individual and/or management group. Twenty-five years is a long time. People change as they learn and grow. A business evolves as does the industry in which it is engaged. A 25-year span will have periods of economic good times with some periods of not so good times. Think back over the years since 1977. There were times of unprecedented boom and several periods of bust.

The building service industry is somewhat unique in that it is resistant to periods of economic downturn; however, that does not mean that those engaged in the industry are protected under all circumstances. A twenty-five year span will offer many opportunities and present many risks. A business based on sound business practices will be able to take advantage of opportunity whether in good times or in bad times. Risk too, is always present, whether in good times or bad times.

What is the secret to weathering a 25-year span during which there is growth and profitability on a sustained basis?

◆ Have a clear vision of the business in which you are engaged. If you're engaged in the janitorial service industry, recognize that while there may be some other similar services provided in the contractual agreement under which the company works, your business is the janitorial service industry. That is not to say that, if an opportunity is present, other businesses should not be con-

sidered. Many experts think that, while there may be separate divisions within one business based on market area or markets (industry sector) served, it is wise to not commingle different businesses except perhaps at the very senior level of management. There needs to be a clear and distinct line of demarcation. Each must exist in its own sphere.

- ◆ Understand the business world in which you are engaged. Read. Network. Inquire. Plot a course (business plan) for the business that is fluid, i.e., can be changed as required. Anticipate the future as much as possible based on trends that are observed. Emulate others that are successful. Learn to recognize world, local, and industry events and trends that can affect your business.
- ◆ Build expertise and reputation for the industry sector (commercial office buildings, industrial, institutional, retail and others) in which you are engaged. Working in one or several sectors is fine; however, as in the case of a separate business, some market sectors are unique requiring a distinct division with their own management group. Be aware that market valuation of a company is influenced by the market sector(s) served.
- ◆ Understand your customers needs...keeping customers for a long time. Serve those needs. Understand the industry in which your customer is engaged. What is your customer's market position? How well

are they doing compared to others in that industry? Anticipate economic downturns that affect that industry so that you have time to react and serve your customers needs even if it means reducing services. Better to keep a downsized customer than to lose a big customer. Good service means more than following the letter of the contract and specification. It means fulfilling the customer needs as those needs evolve over time.

- ◆ Bigger is not always better. The quality of that revenue is much more meaningful than sheer volume. Grow strategically with the following criteria in mind.
  - Each customer must stand alone with regard to (1) profitability and (2) management time required to maintain that level of profitability.
  - The customer represents less than 10% of your company's gross revenue and profit.
  - The customer falls into an industry sector for which your company has expertise, or for which expertise can be gained without having a negative effect on the rest of the company's book of business.
  - The customer is engaged in a stable industry.
  - The customer has a history of having reasonable relationships with vendors, including other building service companies.
  - The customer is located within a

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- People need to contribute and to be rewarded for effective contribution.
  - Company leadership needs to provide on-going opportunity for each manager or supervisor or expect those individuals to seek other opportunity.
- ◆ Strategic acquisition or merging with other companies is one way of growing, but it certainly is not the only way. It, like other business ventures, has to be approached carefully and with sound planning. It is not a substitute for selective growth by means of a strong marketing effort.
- Growing by means of acquisition can be effective. It may make sense in both good times and/or bad times. It is always an opportunity to be considered, but not always an opportunity to be seized.
  - Determine why an acquisition

makes sense for you. Is it your ego showing or is it strategic and a means of reaching your long-term goals? Is it an opportunity for you to expand within your market area or in a contiguous market area? Will it give you expertise in a market sector in which you do not currently operate?

- If in a different market area from that in which you operate, study and know that market area.
- If in a different market sector from that in which you have expertise, study and understand how that sector is different from that with which you are familiar.
- Generally speaking, there are no bargains. When acquiring a company the price is paid one way or the other. It is often better to do a transaction in which the company being acquired is doing well and has excellent prospects of contin-

uing to do well when combined with another group. A company not doing well is risky business and may well turn out to be less of a bargain than a company doing well for which a higher price is paid.

- ◆ An acquisition should be viewed as a strategic step within the context of a business plan. Once acquired, the company and its people need to be fully integrated so that the reasons for its appeal in the first place continue.
- ◆ Adding volume through strategic acquisition does not necessarily affect market valuation commensurately.

In summary, there will be good times in the life of a company as well as not-so-good times. The company that develops sound business practices, some of which are mentioned herein, will continue to do well, with very few, if any dips in performance over the span of its life. It's not necessarily true for all industry or endeavors, but I believe it to be true of the building service industry. That's one reason that equity can be built in a company with so few hard assets. It's also one reason that it's so competitive. There are probably at least 100 new companies in the USA that have started during the past week and that same number being planned for next week.

Welcome to the building service contracting industry!

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market area in which your company operates, or, in which you are prepared to capitalize an effort based on a plan to increase other sales in that market area.

- Acquisition of this customer will not have an adverse effect on cash flow.
  - You view the acquisition of this customer as having the probability of a long term, mutually beneficial business relationship.
  - Have the resolve to pass on a prospective customer that does not meet these and/or other criteria for the acquisition of a new account.
- ◆ **Manage your debt profile strategically.** Borrowing can be an effective tool for a growing business, but it must be managed so as to not sink the business or, at least, create a situation where future opportunities can't be seized.
- Grow with profits generated, supported by a line of credit that can be used for the short term only.
  - Long-term debt (should be avoided except for capital equipment) or strategic acquisition.
- ◆ **Competition is a sign that you've selected an industry in which others have interest too.** That's good! Competitors keep us on our toes. They learn from you; you learn from them. Having little or weak competition has a way of creating complacency. Avoid thinking of competition as being a negative; the competitive business atmosphere is good for business, therefore, good for you.
- ◆ **Maintaining a vital management group is an essential ingredient for a company to thrive during both good times and bad times.**
- No one person can carry the ball all of the time.
  - People on all levels of management and supervision, working together, make an organization click.

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