

-  **The Roadmap for Business Development— A Structured Approach**  
*by Stephane McShane, Maxim Consulting Group*
-  **Take Off the Mask: What Is Your Real Value Proposition?**  
*by Larry Silver, Contractor Marketing, Inc.*
-  **How to Find Sales Aces**  
*by Tom Woodcock, Seal the Deal*
-  **Selling Effectively: The Buyer Blending System**  
*by Jerry V. Teplitz, JD, Ph.D., CSP*
-  **Switched-On Selling: Balance Your Brain for Sales Success**  
*by Jerry V. Teplitz, JD, Ph.D., CSP*
-  **Legally Speaking: Subcontractors: Are You Complying with New Paid Sick Leave Requirements?**  
*by Ross A. Boden, Sandberg, Phoenix & von Gontard P.C.*

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# The Roadmap for Business Development— A Structured Approach

by *Stephane McShane, Maxim Consulting Group*

The need for structured business development processes has never been more important. As the delivery methods in the construction industry evolve, so does our need to be highly skilled at selling our work. That said, there are many pitfalls in the sales side of construction that can be avoided with a defined approach. In order for business development to be focused, measurable, and well-supported, there are steps that should be taken to ensure its success.

## Strategy Definition

We are quite familiar with the term strategic planning, but what does it mean in connection to business development? The company must first establish a strategy of what markets, what customers, what job sizes, etc., that it wishes to pursue. That is done through strategic planning and data analysis. What we see frequently from the management consulting lens is a directive for business development staff to simply “go get some work.” While I appreciate the ambition of those giving the instruction, it demonstrates that some elementary steps in definition may have been overlooked. Let’s discuss the first step, and that is defining that type of work you are seeking. To do this, a data analysis of past completed projects is necessary.

When conducting an analysis of current business operations, it is critical that the organization have a clear picture of what type of work they do well and why, as well as what work they’re challenged by and the reasoning for that, also. For example, see Figure 1. This type of data analysis shows the total revenue and margin broken down by the type of work performed. In this sample, there is some significant information to review when defining what type of work to

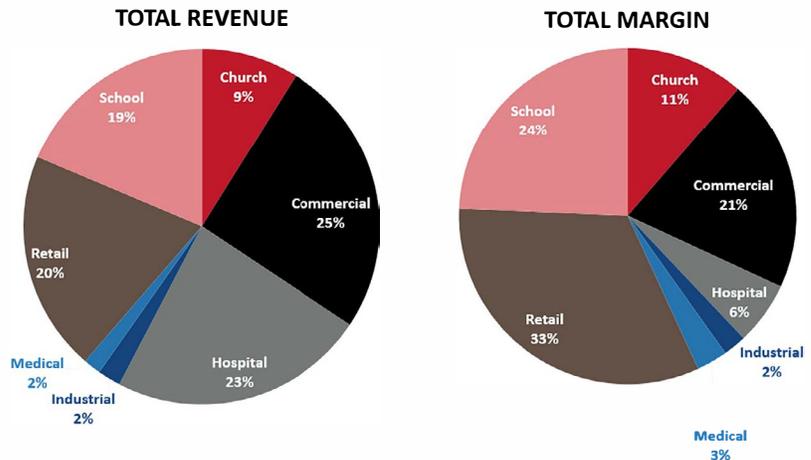


Fig. 1 Revenue and margin analysis by vertical market

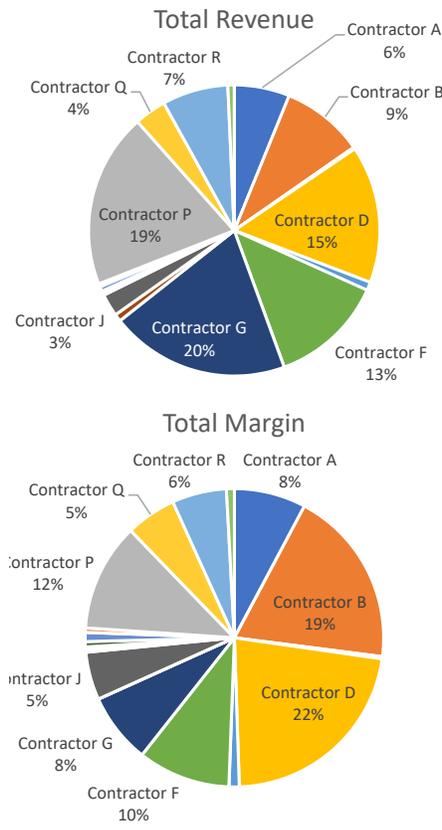


Fig. 2 Labor and margin analysis by general contractor

focus business development efforts on. If you review the total revenue of retail work versus the total margin on that same work, retail comprises 20 percent of the company’s revenue but produces 33 percent of the company’s margin. This would certainly warrant further investigation as to the reason why this is so successful, who the work is performed for, where the margin gain/fade is coming from, etc. Conversely, if you review the hospital sector, it comprises 23 percent of the revenue, but produces only 6 percent of the margin for the organization. Again, this would warrant some additional discovery as to why this isn’t a prolific sector for the company and whether there is either improvement that can occur, or whether this is a market to continue to pursue.

Figure 2 shows the data by general contractor. This also gives a view into who your firm does business with and what the rewards of that investment are. If you look at Contractor B, they are responsible for 9 percent of revenue, but 19 percent of margin. In contrast, Contractor G produces 20 percent of revenue, but only 8 percent of margin.

There are easily dozens of other metrics that can and should be analyzed to narrow the focus of business development efforts. These revenue and margin analyses should be run on an annual basis for all closed projects. These could be divided into branches or divisions, calculated by job size, customers, contract delivery method, geographic region, etc. Margin gain and fade analyses can also be run with these same types of differentiators to identify where overbidding or underbidding may be occurring. From this type of data, strategic decisions can be made to determine the guard rails for business development efforts. This will define:

- Which markets do you wish to pursue.
- What job size is optimal for the organization.
- What geographic region do you wish to pursue work.
- When do you need that work to begin.
- Which specific customers are likely to have that work, in those markets, and in those time frames.

An analysis of market research is also needed to predict market swings. As we know, the market cycles locally between residential, commercial, industrial, and public work. These studies are published by many construction and financial organizations and should be used as a strong resource during the strategic planning process.

## Assessment of Organizational Structure

Once the market, customer and revenue targets have been established, business development efforts will be futile without an examination of the existing company structure. We would need to examine the existing staffing, tools, and technology being utilized to perform our work in order to determine how growth would affect it.

As a simplified example, if expanding an industrial special projects group was a defined strategic play, an investigation as to the current staffing, structure, and workload of the group including stratification of executives, project managers, and project administrators would be in order. Also, we would need to assess the need to migrate to a specialist versus generalist model in order to add the most value to the customers given their specific needs. Next, process mapping could take place to ensure that the entire workflow from order to cash was defined, including the technology, tools, and equipment necessary to do the work. This mapping of each deliverable necessary for this department to function optimally could identify the gaps and most immediate issues requiring resolution in order to support the growth of this group. This will place a solid foundation on which to scale the department's growth.

## Business Development

There are many in the industry who believe that business development is a nebulous, undefined process where actual progress toward a goal is difficult to measure. This is simply not the case. The premise behind great business development begins with the strategic target development, then progresses through a sales process where those targets are evaluated every step of the way. The example discussed previously about telling our sales staff to, "Go get us some work," is where the confusion begins. Business development efforts do not target thousands of companies at one time. It strategically identifies a small number of opportunities and crafts a plan to land a large percentage of those targets, as opposed to a large amount of effort spread over a large number of targets, resulting in a very low hit rate.

Once we have established the list of companies we will be pursuing, a screening process must take place

to ensure that these companies fall into alignment with the types of firms that we wish to establish a long term relationship with. These qualifications should include financial, operational, and cultural metrics to ensure that their acceptable characteristics outweigh their unacceptable attributes. This will narrow down the target list to those who would be the best fit for us.

Next, we must find out who the buyers are. Large companies will have multiple people involved in the purchasing process. Identifying those individuals, and assigning an appropriate point of contact for each of them, will be critical to the success of opening discussions with them. Utilizing your vendor and contractor contacts for this information may significantly streamline the process.

Further, we must find out what your potential customers want from you. Understanding your buyer's needs utilizing customer surveys, relationships, and personal contact ensures that you are well prepared to discuss how your company can fulfill those needs. During this process, it will become necessary to also establish what that company fears. Said differently, what would be the reasons that they might hesitate in granting you the work in favor of one of your competitors. Knowing this will be an additional point of preparation in ensuring that you can respond to quell this discomfort. We cannot become outstanding in their eyes if we do not understand what that looks like from their perspective.

Once we have alleviated their fears, we must ensure that our staff, at all levels of the business development process, are well versed in the presentation process. Remember, it will not only be your sales staff in front of the client, but any of the subject matter experts needed that were identified during the needs assessment. If one of their needs was strong project management, then you would ensure that our strongest

PM would be involved in the sale, bringing comfort to that specific fear and discussing how they propose to manage the project to its success.

Lastly, we use dashboards to evaluate on a regular basis the status of the target client. These measurements include using defined milestones to ensure that we are making positive, predictable progress. This will also shed light on those targets that are not working out so that those efforts can be redirected in a productive manner elsewhere. This allows transparency of performance for each of the potential clients and the staff assigned to the different levels of contact within that client.

Crafting structure around the business development process can reduce the frustration and false starts that occur so frequently in sales. It will also allow us to utilize our limited sales resources and channel them in the direction that creates the greatest benefit for the organization.

To do this, we must determine which markets we wish to grow in and why. Then we will make structural and organizational improvements inside of our organizations to ensure successful delivery of those new projects. From there, we can define which customers work in those markets and assess which firms are the right fit for us. Once we identify those targets, we assign staff to determine the needs and fears of the client to provide the critical information needed to formulate the presentation. And, finally, we track the progress of each of the target clients to ensure that the acceptable amount of forward momentum is occurring. Following a process such as this can increase your chances of landing the right customer with the right type of project, at the right time, with the right tools and resources to ensure the project's success and the chance of establishing a long term, solid relationship.

*Stephane McShane is a director at Maxim Consulting Group responsible for the assessment and implementation processes with our clients. McShane works with construction-related firms of all sizes to evaluate business practices and assist with management challenges. With a large depth of experience working in the construction industry from the field to executive leadership, McShane is keenly aware of the business and, most specifically, operational challenges firms' face. Her areas of expertise include leadership development, organizational assessments, strategic planning, project execution, business development, productivity improvement, and training programs. McShane is an internationally recognized speaker, mentor, author, and teacher. Her ability to motivate, inspire, and create confidence among your work groups is extremely rare and very effective.*

## 2017 ASA BEST PRACTICES AWARDS

ASA offers national recognition to prime contractors that are committed to superior business practices like prompt payment. ASA's annual "National Construction Best Practices Awards," developed by the *Task Force on Ethics in the Construction Industry*, recognize elite prime contractors that uphold best practices and refuse to do business according to the "lowest common denominator." The deadline for prime contractors to submit applications is Nov. 3, 2017. The application fee is \$495. Each prime-contractor applicant must supply three sealed business-practices recommendations from specialty trade contractors that have worked for it in the past year, along with a copy of its standard subcontract, with its application. ASA will honor recipients during an awards ceremony at the ASA annual convention, SUBExcel 2018, Feb. 28-March 3, 2018, in Tempe, Arizona.

### Helpful Links:

- Watch the National Construction Best Practices Awards video.
- Prime contractors: Download the 2017 National Construction Best Practices Award application form.
- Specialty trade contractors: Download the 2017 National Construction Best Practices Award "Form for Evaluating the Applicant's Business Practices."



APPLICATION DEADLINE: **NOVEMBER 3, 2017**



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