



PAINT

Contractor's Manual



The First Manual That
Explains How To Start
and Run a Profitable
Paint Contracting
Company - Handling
Volume Work at a
Profit, Estimating,
Selling and Bidding.

By

Dave Matis
Jobe H. Toole

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Purdy Brush Co. — Portland, Oregon

*To all the old timers,
who gave us the benefit of their experience in the painting business*

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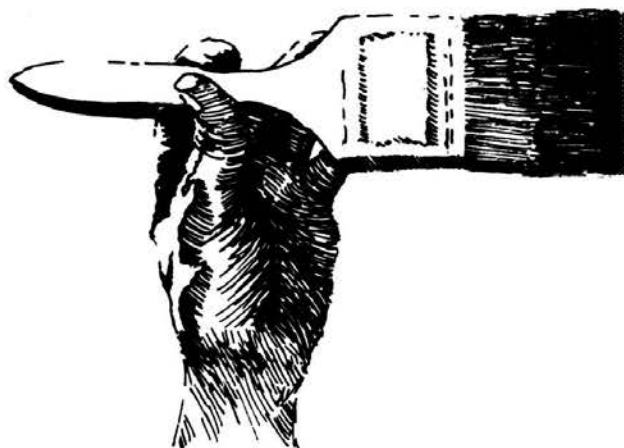
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Chapter 1

Organizing Your Business

This book is written for painting contractors. If you've been working as a painter for several years and want to go into business for yourself — finding clients, selling the job, supervising the work, and collecting the money when it's due — this book is for you. If you've been running a paint contracting business for several years and want to compare notes with another paint contractor, this book is also for you. I'll let you look over my shoulder to see how I run my company. I expect that you'll learn enough to make the time you spend with this volume worthwhile.

Before I begin, let me explain a little about how I got into the business. Some of my experiences may sound familiar to you.

My partner and I have been in the paint contracting business for a total of 20 years. We learned the business through trial and error, asking questions, and determination. When we went into paint contracting, it seemed simple. All we needed were a couple of brushes and rollers. We learned very quickly how naive that was.

Our first job was an expensive home in an exclusive area of Malibu Beach, California. When doing custom work, you have to know a lot about preparation, color selection, paint application and, most important, getting the right price. My partner and I knew absolutely nothing about any of these

subjects. So you could say we were bound to get off to a bad start. In fact, we lost our shirts, to say the least.

You might ask how we got a big custom job in the first place. Well, there's an old saying in the business world: "They saw us coming." Because we knew almost nothing about paint contracting, our first client knew he could get the job done for peanuts. He also knew we would have to do over anything he didn't like. Inexperienced paint contractors end up doing the work over and over again until the client agrees to pay up. Of course, we weren't licensed. So we couldn't sue to collect.

Naturally, the job took forever. We had to paint everything at least three times before the customer was satisfied. But there was one payoff on that job that we didn't expect. We learned more in that first month than on all the jobs we did in the next year.

Having launched myself into a career in paint contracting, I decided to find out as much about the subject as possible. I soon discovered that little has been written on the subject. I searched libraries, book stores and technical schools for anything that would help. What I found had almost no practical value to a paint contractor. So I used the only method available. I kept working and asking questions.

During those early years, my partner and I

would start many mornings over a cup of coffee at the paint store. Usually we met some old-timers there who would share their knowledge of painting with us. If we ran into a problem on a job, we would be at the paint store early the next morning trying to pin one of these guys down. This worked more often than not. But we soon learned that no one knew exactly how to solve every problem. Old-timer Joe would tell us to mix our paint one way. A few minutes later, old-timer Bob would tell us that Joe's method would never work. We should do something else. This usually left us with only one alternative. We listened to everything the old pros said. Then we went out and started experimenting until we got the right result.

We also discovered that employees working in paint stores knew less than we did about applying paint. Most paint store employees have little practical experience. Some are working as clerks because they couldn't make it as painters. Most knew enough to help the average homeowner, but quickly got lost on the finer points that concern a professional painter.

We did, however, find a couple of retired painting contractors who were working in paint stores. Without them I'd probably be in some other business today. There's no substitute for years of experience on a job. Those guys knew more tricks and time-saving methods than we could imagine.

Our business grew over the years. We went from a little two-man company operating out of the trunk of a car to a full-service painting business with 18 employees. We've done every type of paint contracting: custom residential, new custom homes, industrial, commercial (like banks and stores), tract homes, apartments, remodels, new construction and large condominium projects.

Over the years we've worked hard and learned a lot. We've worked many 18-hour days and seven-day weeks to get the job done. We've worked with general contractors, architects, homeowners, and interior designers. We've learned that every type of work requires specialized know-how — knowledge of the best and quickest way to get the job done. Using an 18-man crew to paint 185 condos is an entirely different business than doing a custom home for a designer.

Running a painting contracting business can be good work. You can make a nice living at it. And there are advantages to working for yourself. As the business grows, you're building an asset that

grows in value. Of course, there are also disadvantages. It's demanding work with risks and potential problems on every job. And you have to meet and deal with the public every day. But I enjoy my work and expect that you could also.

I'm not going to explain the basics of painting here. Several books are available that describe all a homeowner needs to know to apply paint and coatings. But I am going to suggest ways a paint contractor can improve accepted application techniques. There's a difference between a Saturday afternoon craftsman who enjoys putting a coat of lacquer on a cabinet and a paint contractor who's coating hundreds of square feet of casework. I'll explain the way production painting has to be done to make a profit. And I'll also show why production painting doesn't have to mean a sacrifice in quality.

Most of this book covers the "how-to" of running a paint contracting business. It takes both good painting skill and good organizational skills to build a paint contracting company. You're not going to make it in the painting business if you don't understand production painting. And you're never going to make it as a production painter if you can't run a painting business.

Emphasis will be on what distinguishes a successful paint contracting business from a company that bumps along year after year, doing O.K. in most years, but never really becoming an established name in the business. In the years I've worked as a painter and paint contractor, I've noticed that the most successful, most profitable painting companies seem to have a lot in common. That's what I'm going to dwell on: what it takes to establish and build a successful painting business.

Before we get started, I want to warn you that I refer to "he" and "him" rather than "she" and "her" throughout this book. I do this for two reasons. First, most professional painters and owners of painting companies are male. I realize that women make good painters. And I know several women that are running successful painting companies. But men are still in the majority. The second reason is convenience. It's easier to stick to one pronoun. And I'd rather not invent a pronoun like *he/she* that would cover all the bases.

So don't think that my choice of gender is intended to exclude anyone. Every reference to the male of the species is intended to include the female. Maybe in the second edition of this book

I'll make all my pronouns female just to balance the scales.

Having covered these preliminaries, let's get down to business.

Setting up a system of organization is the subject of this chapter. Good organization is the foundation of every successful business. So that's where we'll start — with the foundation.

Getting Organized

The main difference between a freelance painter and a paint contractor is organization. It doesn't matter whether a freelance painter has his paperwork organized. He's paid for his time and craftsmanship. Organization may be irrelevant. But for everyone else in the painting business, organization is essential. Once you put that first employee on the payroll, you're running a company, and that company has to have procedures, standards and objectives. That's organization.

The foundation of every professional company is good organization. Good organization is just having a place for everything and putting everything in its place. It's deciding who does what job, what procedures to follow, and setting up guidelines for your company's success. Without organization, you have misdirected effort, confusion, neglected opportunities, waste, theft, and jobs half-completed or never started. Organization is essential in the painting business, from maintaining the company files to estimating, from painting a room to making phone calls.

How do you organize a business? Actually, it's a simple process. It starts with setting some goals. One major reason why many businesses fail in their first year is that the owner didn't have a business plan, some goals to shoot for. Reaching the goals is the reason for putting in all those long hours. If your goals aren't clear, your effort may be misdirected, wasted, or both.

Company Goals

Have you ever asked a small boy what he wants to be when he grows up? Usually you'll get an answer like, "I don't know," or "I want to be a doctor. Or maybe a plumber, like Daddy. But I'd like to be a cowboy, too. Or maybe a pilot!"

Now, that's fine for a child, but when you're talking about your business, your livelihood, your future, you should be more precise. A lot of *maybe's* and *I'm not sure's* will add up to no direc-

tion. Take my advice. Make your decision. Decide exactly where you want your business to be in ten years. There's nothing that says you can't change your goals as you go along. The important thing is to have *an express goal* as a guide.

You could start off in the painting business wanting to do top quality custom work and nothing else. After a few years, you might decide to expand and take on new construction, possibly dropping custom work altogether. That's perfectly all right, as long as you continue to set new goals and define them precisely.

Set optimistic goals. But also be realistic. Most beginners in the painting business want to have the largest, most profitable company they can imagine. That's fine. But with scope like that come problems of the same size: employee problems, cash problems, accounting problems, legal problems, and many more. Maybe you'd be more comfortable with a slightly smaller company with a few less problems.

Setting goals is even more important if you have a partner. Both of you should agree on exactly where the company is going and how it's going to get there. Bungling these initial steps — establishing company goals and ideals — is the most common cause of failure in partnerships. If you've got one or more partners, get an agreement on goals. If you don't, you'll end up with two partners in the same harness but pulling in opposite directions.

Here's an example of a company goal:

I will have eight to ten qualified painters working for me. The company will have two vans, three trucks, and all the tools and equipment necessary to do our work. We'll have a fully-equipped office with a secretary. We'll have well-established contacts in the business community and established credit where needed. There will be enough work to keep most crews busy nearly all the time. Annual volume will be \$500,000 and our after-tax profit will be 5% of gross.

That's a reasonable goal. We could start working on it today. But to be sure we're on the track all the way, let's break that ten-year goal down into some intermediate goals that happen a little sooner:

After one year we should be 10% of the way to the final goal. After two years we should be 20% of the way there, and so on. After two years volume

should be \$100,000, we should have two painters on the payroll, and profit after tax should be 5% of \$100,000, or \$5,000. If you hit an intermediate goal sooner than expected, that's great. Simply adjust the remaining intermediate goals so they still reach the final goal at the time you established.

The final step in the goals program is to type up a neat copy of the finished product. Post it near your desk or on the back of a closet door. Study it once a week to see how you're doing and to remind yourself what your next move should be. If what you're doing is getting you closer to the goal, keep doing it. If what you're doing isn't taking you there, determine what changes need to be made that *will* get you there.

Money to Meet Your Goal

So far so good. We haven't talked about how we're going to get there yet, but at least we've established the direction and have a yardstick to measure success or failure every year along the way. Now, let's get practical. A \$500,000 painting company is a pretty good-sized business. It will take some money to keep that business running. Let's figure how much.

You'll need four or five trucks, some office equipment, some specialized painting tools and equipment, and probably a small inventory of materials and supplies. The biggest investment will be in receivables and work in progress.

If your company is like many other painting companies, you'll need an investment of about \$200,000 to run a yearly volume of \$500,000. That probably seems like a lot of money. But a successful painting company needs that much working capital. Here's a breakdown. Allow \$80,000 for receivables. At a \$500,000 annual volume, you're taking in over \$40,000 a month. If bills are paid about 60 days after they're sent out, that's \$80,000 owed but not yet paid. Work in progress may eat up another \$20,000 to \$40,000 in labor and material advances before the job is finished and can be billed out. So receivables and work in progress together come to about \$100,000.

You'll need roughly another \$100,000 for equipment, supplies and materials. Five trucks, painting equipment, and tools will probably tie up about \$75,000. Figure on spending about \$25,000 for office supplies, equipment and a small inventory of painting materials.

Do you think you can get along without this

\$200,000, or with a lot less? I doubt that you can. I've seen some painters try. It's a constant struggle to run any business without adequate capital. And a painting business is no exception. The slightest little upset and lawsuits and lawyers become thick as flies around watermelon rotting in the August sun. Don't bet that you'll need one cent less than \$200,000 in working capital to run a \$500,000-a-year business.

Where are you going to get this \$200,000? You can borrow some of the cash required. Banks will lend about 80% of the value of the trucks. The maximum loan is probably about \$60,000. Material suppliers will bill you for materials and you can take 30 or 60 days to pay the bill. That's known as trade credit. It's like giving you a loan. But trade credit will be only \$10,000 to \$20,000, even for a fairly large paint contractor. That still leaves you about \$130,000 short. Where's that money going to come from?

Fortunately, there's an answer. Most successful painting contractors have discovered that a profitable company will generate its own working capital. Remember our goal of a 5% profit after tax? Let's make some assumptions about the business and see how that 5% profit adds up during our ten years of growth.

We'll assume that business volume grows at \$50,000 a year, reaches \$500,000 at the end of ten years, and that profit averages 5% after taxes. Run that through your calculator and you'll discover that profits total just short of \$140,000 for the ten years. That's the cash you need! The money's found!

But describing the process is easier than doing it. The hardest part is making that 5% after-tax profit. The next hardest part is leaving the profit in the business. Taking all the profit out of the business each year makes sustained growth impossible.

Resolve right now to earn a 5% profit after all expenses (including your salary) and taxes are paid. And then resolve to leave that profit in the business, no matter how much you would like to have a new truck or some office furniture.

It's important to keep in mind that in the example we just covered, we are looking at a business that could, ten years down the road, be a \$500,000-a-year operation. Don't let the large figure of \$200,000 in operating expenses throw you off. This is a long-range goal and is accomplished

by an increase in volume, production and profits on a yearly basis.

The first-year goal is 10% of the \$500,000 volume, or \$50,000. That's a realistic goal for someone just starting out. Your operating expenses for a \$50,000-a-year volume will be approximately \$15,000 to \$20,000 for that first year.

Remember that this is a step-by-step process. Set your long-range goals and build each year to accomplish them.

Once you've made those resolutions and have a clear goal in mind, you're ready for the next steps.

Using the Numbers

I'm sure you've seen advertisements that show a group of executives in three-piece suits seated around a conference table. At the end of the table is a large easel that holds a graph with some lines or bars or pie charts. You're supposed to infer that these executives are making an important decision based on some set of company figures.

I don't know whether decisions are made this way in large corporations. But I do know that every painting contractor needs to know what's happening in his business. And the best way to follow day-to-day activity is to keep track of the key indicators that show how the business is doing. These indicators can be like a road map that shows where you've been. Even more important, they're predictors of what's *going* to happen. Find a set of key indicators (numbers) that are easy to compile, easy to use, and easy to understand. I guarantee that these indicators will help you avoid a lot of grief and show the way to new opportunities.

The indicators you use should show how each area of your business is doing: promotion, estimates, jobs sold, production, work completed, and receipts. The system doesn't have to be complicated. In fact, the opposite is true. The key indicators should simplify your job.

I recommend that you keep track of only about six key indicators. These are explained in the following paragraphs. You may select slightly different indicators or decide to use other figures. But it would be foolish to keep track of 20 or 30 statistics in a small company. You don't want to spend any more time than necessary doing paperwork. The idea is to find the most important areas in your business and watch them like a hawk.

The indicators I follow are:

- 1) *Promotion*: Dollars spent on promoting company services.
- 2) *Estimates*: The dollar value of estimates completed and submitted to the customer.
- 3) *Jobs Sold*: The dollar volume of contracts signed.
- 4) *Production Hours*: The number of hours worked by painters.
- 5) *Work Completed*: The contract value of work finished in the period.
- 6) *Gross Income*: Dollars billed out (on invoiced work) and cash received (on cash-on-completion jobs).

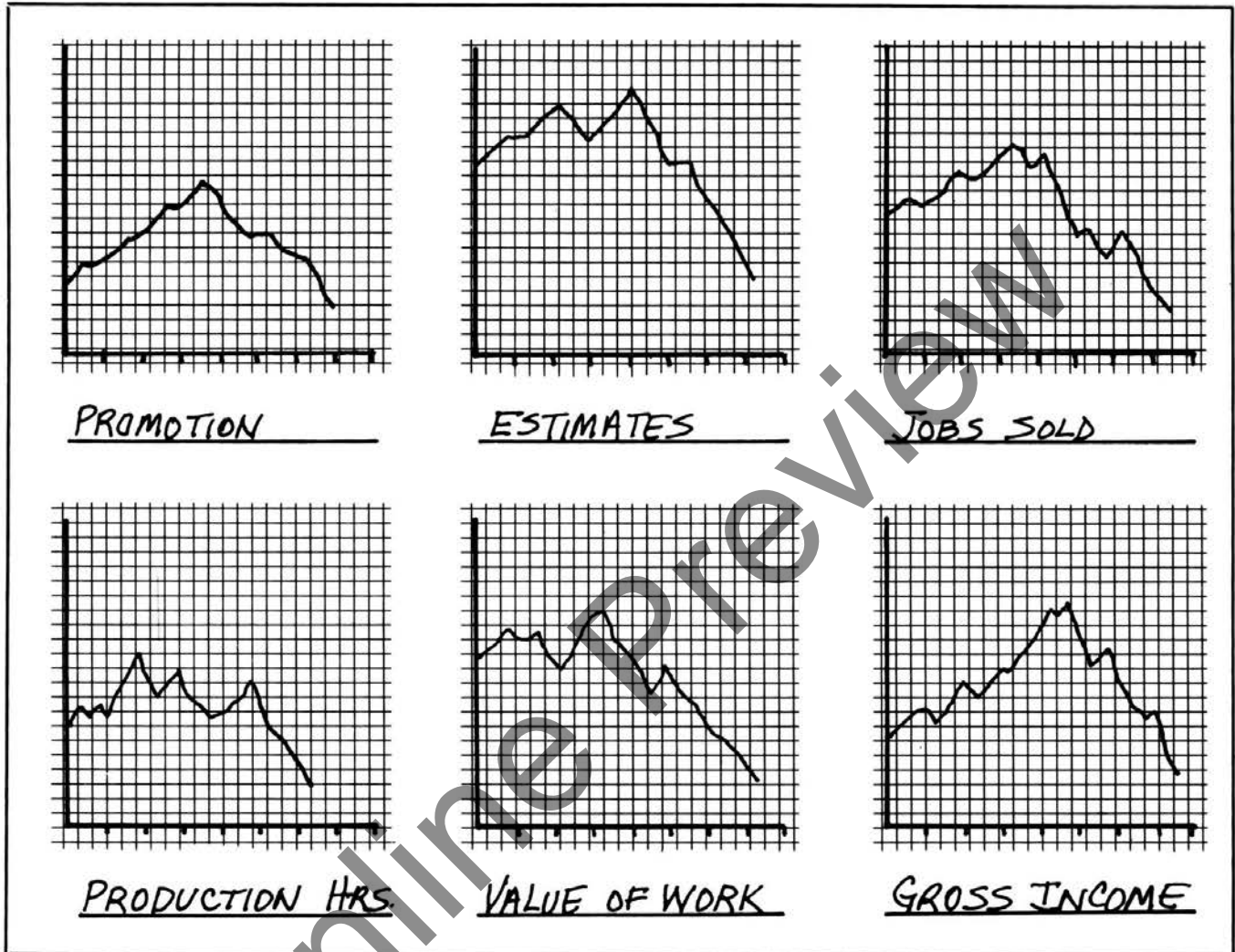
Pick a cutoff time for your key indicators. Anything that happens after that day goes into the next period. You'll probably want to use a one-month period. But some figures are so important that you may want weekly tallies.

Notice that these indicators follow in a logical progression. First, you advertise. The ads produce inquiries that result in estimates. Successful bids result in signed contracts. Then the painters begin to work on the job. The job is finished and payment becomes due. Finally, payment is received.

If one indicator is falling, you can expect the indicators downstream to drop off shortly. If one area is doing well and the indicators are going up, the indicators that follow should head up in a week or two. Figure 1-1 shows how the various indicators generally correspond with each other.

Here's an example: Let's say you've been skimping on the promotion budget for several weeks. You were just too busy to do any new promotion: no letters sent out, no phone calls to contractors, and so on. What happens? You can expect fewer requests for estimates. A week or two later, the value of contracts signed will fall. The following month your painters will have less work to do. Less work will be completed. Finally, receipts will drop off.

Here's another example: You're looking at the figures for production hours. It's running at about normal. But sales and estimates are up more than



Typical pattern of key indicators
Figure 1-1

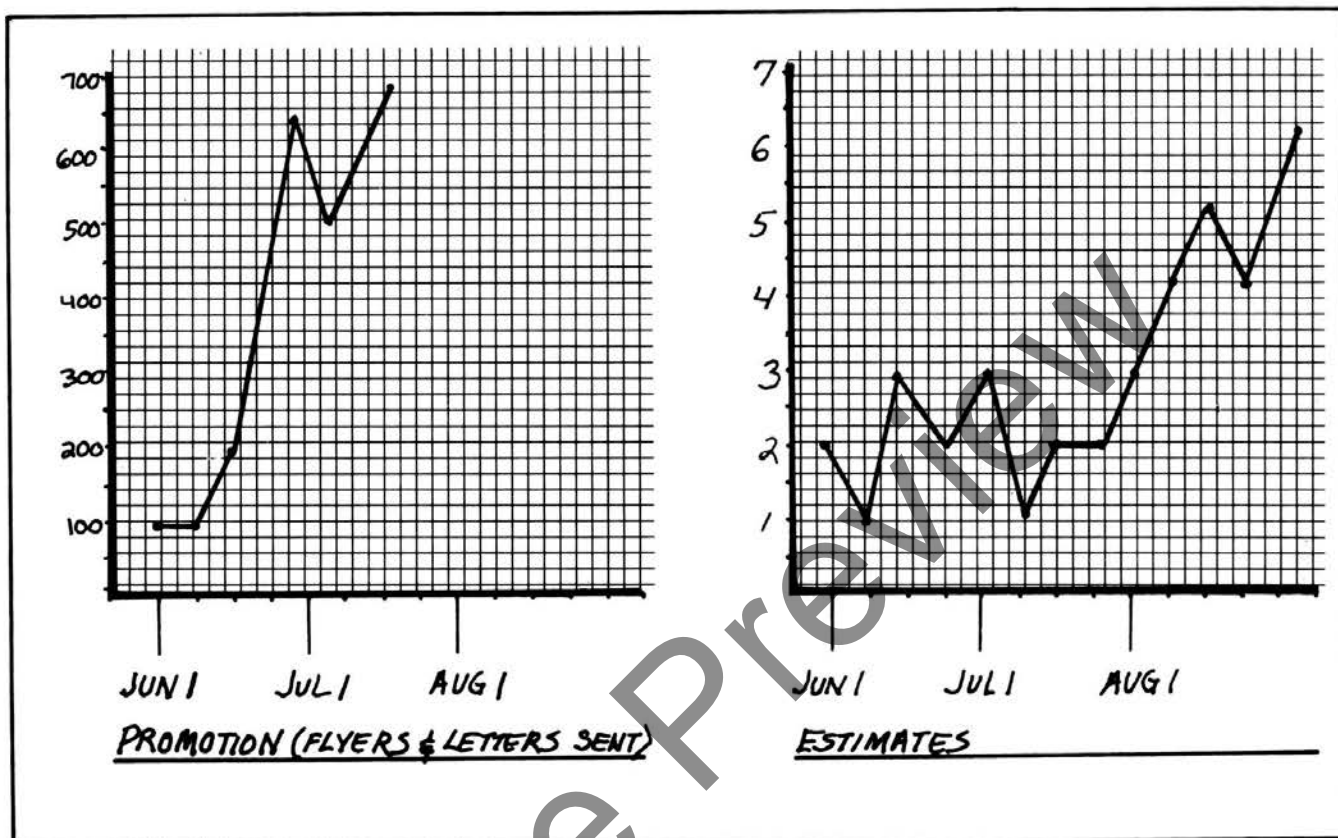
50%. You've probably developed a hefty work backlog. Some customers are waiting for work to begin. That's a bad sign if the wait is getting too long. Maybe you need to add some manpower temporarily until production is in line with sales.

Suppose the reverse is true. Sales are down but production hours are steady. It could be that your crews are stretching out the work because they suspect a layoff is coming. Closer supervision may be in order.

You can see how useful these indicators are. With a little practice, you can read them like a book. And as you develop more than one year of

figures, the numbers become even more valuable. Month-to-month comparisons aren't always valid because of normal business fluctuations during the year. For example, you would expect December production and receipts to be below October production and receipts. That's normal. But if December of this year is a lot slower than December of last year, you should know why.

If you've never had your own business before, or if you're not crazy about paperwork, don't panic. Collecting numbers needed to track the key indicators doesn't take much time. And it can make your company much more efficient and profitable.



Graph showing results of promotion
Figure 1-2

The indicators help you spot problems before they happen. Sometimes the owner of a business will get so busy that he can't see the forest for the trees. I know that happens to me. The key indicators help you step back and see the big picture. They keep you in contact with the vital signs of your business. You can see what's happening right there on paper. You don't have to rely on impressions or hunches.

But be realistic about the indicators in your business. For example, just because your promotion expense suddenly jumped 50%, don't expect estimates to jump 50% the following week. The pattern of the response you get will look more like Figure 1-2. It takes people time to read those letters and respond. Not everyone who's going to respond will call in the first week or two.

Use the key indicators correctly and you'll have an excellent tool for measuring the performance of the most important areas of your business. That's a key step in getting your business organized.

The Organization Board

Look at Figure 1-3. It's an organizational chart for a painting company. Joe and Frank have identified the five major areas of responsibility in their company and either Joe or Frank has been made responsible for each. Under each area of responsibility is a list of the duties in that department. I call this chart an organization board, and I think every painting company should have one.

An organization board is an X-ray picture of your company's structure. It shows who has what job and what that job includes. In a larger company, the *Org Board* will be a very complicated diagram with lots of sub-departments and functions listed under each major division. In a smaller company, the board could be as simple as our example. The only important thing is that it makes clear who does what. It should show at a glance every significant function in your company and identify who has responsibility for that task. If

you're going to be productive and show profits year after year, your organization has to run smoothly. An Org Board is designed to help it do just that.

Start your Org Board on a piece of posterboard. Keep it neat. Leave plenty of room for expansion in the tasks listed. Post the board in your office. If you don't have an office, make the Org Board small enough to carry on a clipboard or in a briefcase.

The nature of an Org Board is that it keeps growing and getting more specific. Every time there's a problem in an area that isn't listed on the board, add responsibility for that task under someone's name. If there's a question on who has responsibility for some function, change the Org Board so it answers the question. When someone new is hired, he or she should be added to the board. The board is never complete. It just keeps getting better and better in defining who does what in your company.

If you're running a one-man company, making an Org Board will identify the range of tasks that have to be done. The Org Board will help you divide your time among all the tasks. Some time has to be reserved for each task each week so that all bases are covered.

Many small painting companies neglect promotion, let bank statements accumulate unopened for several months, or fail to complete estimates because no one took charge of getting the work done. The Org Board will solve problems like that. It places responsibility clearly on some individual and makes that delegation clear to everyone in the company.

Getting Things Done

If you have the opportunity, watch a successful, highly-productive person work. As likely as not, you'll notice something about the way he tackles each problem. First, his method is probably both organized and efficient. Work follows a logical se-

JOE'S PAINTING COMPANY

MANAGEMENT	PROMOTION	FINANCES	JOBS	ESTIMATING
Joe	Joe	Frank	Frank	Joe
PAPERWORK MAKES SURE LICENSE IS UP TO DATE INSURANCE COLLECTS MONEY DOES STATISTICS	GETS FLYERS MADE MAKES SURE LETTERS OR FLYERS ARE SENT OUT RUNS ADS IN NEWSPAPERS, PHONE BOOK, ETC.	PAYS BILLS DOES PAYROLL TAXES KEEPS BOOKS	IN CHARGE OF ACTUAL WORK HIRES PAINTERS BUYS MATERIALS SCHEDULES JOBS	DOES ESTIMATES SETS APPOINTMENTS

Typical organization board
Figure 1-3

quence. There's little wasted motion or idle time. But notice something else. He probably keeps working on each task until no further action is possible. And that's the key, *completing work on each task before starting the next*, even if there isn't enough time to finish all the tasks.

What does this mean to you? I'll explain it this way. Imagine that you're at your desk and have an hour to work on an accumulated pile of correspondence, bills, notes, advertisements and phone calls that have to be returned. There isn't time to finish everything. What's your way of handling this problem?

A less-organized person would pick through the pile, pulling out something here or there that seemed interesting, working more or less at random and finishing work on little or nothing. If that's the way you usually tackle a pile of accumulated mail, there's a better way.

Let me suggest the way it should be done. First, do the easy part. Discard or file everything that doesn't need any further action on your part. Throw out the advertisements, file the receipts, sort out what has to be given to others so it can be passed on to them later. Just doing that should reduce the pile by half. Notice that you've completed all that can be done on each item discarded, filed or collected for others.

Next, set some priorities. There's only an hour available and five minutes is gone already. Set aside what can wait until more time is available. That may reduce the pile by half again. You're probably left with a small pile that needs your immediate attention. That's the place to concentrate your effort.

Work on each problem left in the pile until work is finished or nothing further can be done.

Review each invoice for accuracy. If correct, write the check, put it in an envelope with a stamp and put the envelope where you'll remember to take it to a mail box. Then file your copy of the invoice. That finishes it.

Answer phone inquiries one at a time. Return the call, answer the question or make the appointment as appropriate. When you hang up, note the time and date in your appointment book or send a confirming letter or quote immediately. File a copy. That finishes it.

If you're reviewing the monthly bank statement, scan the checks, find the total of outstanding checks and deposits, reconcile the statement, sort

the checks into numerical order and file them. That finishes it.

Keep going like this, finishing as many items as possible, clearing them completely off your desk and into a file, the trash can, or a pile that you're going to give to someone else. Finishing a limited number of tasks completely is always better than working a little on all tasks. Finishing part of any job is inefficient. Time is wasted whenever you look at something and decide to do nothing or leave it half completed. To get things done, adopt this rule: *If you start it, finish it.*

This rule doesn't apply just to office work. It's true of all activities throughout the day. Starting something you don't complete leaves a little bit of your attention stuck there, whether you're conscious of it or not. Do this several times a day, day after day, and you've accumulated piles of distractions everywhere you turn. That makes reaching goals more and more difficult.

Painting is usually more efficient if you finish each part of the job before going on to the next. Assume that the job is to paint one room. First, drop it out completely. Cover everything. Use masking paper where necessary. Second, prep the room. Dig out all the cracks. Fill all the holes. Prime all the raw wood. Do your finish sanding. Dust everything. Third, paint. I know that drying times, some primers, and use of scaffolding make this impossible sometimes. But when possible, it's more efficient to complete what you start before going on.

If you aren't using this system now, try it. And encourage employees to do the same. You'll notice the improved productivity.

Company Meetings

Once a painting company has more than two or three employees, company meetings will prevent problems, resolve disputes and improve coordination. These meetings could be weekly or monthly. They could even be held only as needed. How often isn't important. What is important is that you provide some official forum for the exchange of information.

In a company with no more than six or eight employees, you probably want everyone on the payroll to be present. In a larger company, only the department heads and key field supervisors would be invited.

Keep in mind that meeting time is nonproductive

time. No work is getting done. There may not even be anyone available to answer the telephone. That's why you want to keep meetings as brief as possible. I've found that meetings held at 3:00 Friday afternoon or at 7:00 Monday morning tend to be brief and more to the point. These hours are generally less productive anyway, so we lose less productive work.

Your preparation for the meeting is important. Getting ready for a meeting forces you to sit down and take a look at your business from an executive point of view. After a hard week of painting, estimating, making phone calls, and handling customers, you need to review results, evaluate problems, and plan for the future. As the owner or partner in a business, it's your responsibility to give the company direction and momentum. You do this by reviewing company goals and evaluating progress toward those goals.

As part of your preparation, make a few notes on the topics to be covered. Something like the list in Figure 1-4 may be enough. Be sure to include a time when the floor is open for anyone to bring up any company problem. In a larger company, you may want to give all the participants copies of the agenda so they can follow what's been covered and what's coming up.

You, as the boss, call the meeting and act as chairman, president and judge. If you have one or more partners, these responsibilities are shared according to your ownership interest. In a partnership, the partners should meet privately before the meeting to agree on an agenda. You may want to meet again privately after the full meeting to reach joint decisions on problems that have yet to be resolved.

Some topics will be on the agenda at most meetings. For example, you'll want to review changes in the key business indicators (promotion, estimates, sales, production, work completed and receipts). The Org Board should be there to review and change if necessary.

One prime purpose of company meetings is to resolve problems that require joint action or a decision by the boss. Usually you'll want to cover the most important problems that have come up since the last meeting. But keep in mind that this isn't the place to administer reprimands. That should be done privately. Neither is it the place to resolve problems that concern only one or two employees. Why waste the time of those that aren't involved?

WEEKLY MEETING CHECKLIST

1. CURRENT STATUS OF ALL JOBS
2. UPCOMING JOBS
3. EQUIPMENT & MATERIAL NEEDED
4. REPAIRS NEEDED
5. PROBLEMS ON JOBS
6. EXTRA HELP NEEDED ?
7. FINANCES
8. PROMOTIONAL ACTIVITIES
9. OPEN FORUM

Agenda for company meeting
Figure 1-4

Use the meeting to dispense information that everyone should know, to get ideas from everyone concerned with a problem, to coordinate the effort of all when coordination is needed, and to form a consensus on how to make the company run better.

One advantage of a company meeting is that it brings together people with different areas of responsibility and different perspectives. These people see things in a different light. Get the benefit of these perspectives. The meeting isn't just a place for the boss to pass out information. It's also a good time for the boss to learn about what's going on in the company. Make the best use of this opportunity.

No meeting should end without a concrete assignment of tasks and a memorandum of what's decided. Make notes yourself or have someone else make notes on decisions, who is to do what and when it's to be completed. Before the meeting is adjourned, read back the list of decisions, assignments and deadlines. That makes misunderstandings less likely and helps guarantee compliance by everyone concerned.

Wearing Many Hats

In any business, but especially in a small business, one person has to handle many jobs. When you finish an estimate and start on the week's book-keeping, you're switching roles. Take off your estimator's hat and put on your accountant's hat. On most days you'll switch hats several times, from estimator to salesman to manager to painter. You may not even be aware that you're switching roles each time it happens. All of it is just your job.

In a one-man company, the definition of each job is less important. The one man has to do it all. But as a company grows, areas of responsibility have to be defined more precisely. Otherwise effort is duplicated, two people or departments will be working at cross-purposes, and some tasks will be neglected.

When you have several people on the payroll, labeling hats and defining jobs is important. Exactly what does the estimator do? What are his responsibilities? What policies does he follow? The same is true for every hat in the company. If hats are labeled and defined correctly, there should be little or no duplicated effort, less conflict, and fewer tasks neglected.

In a small painting company, job definitions don't have to be in writing. Your Org Board may be the only job definition needed. But when questions begin to come up about who should be doing what, it's time to have descriptions for the key positions. A job description makes judging performance easier, clarifies the tasks each person should handle, and simplifies the training of new employees.

Here's an example. You've been wearing all the hats in your company for two years. You know each job inside and out. But now volume is so heavy that you just can't do it all. You're ready to hire someone or promote someone to fill the position of field supervisor. The person you hire probably has experience as a supervisor. But it's unlikely that he's ready to step into your shoes and do it your way right from the start. A good job description will smooth the transition period and make the new supervisor a productive team member in the shortest time possible. He'll know exactly what's expected, the routines to follow, the people to contact, and so on.

If the person you hire has never been a supervisor before, a clear job description will shorten the training period considerably. A good job descrip-

tion will also eliminate many excuses, including the old I-thought-Frank-was-going-to-do-that routine.

Even in a large company, everyone needs a job description. The description doesn't have to be more than a page or two long. But it should be detailed enough to leave little room for misunderstanding. And it has to cover everything required of that job. Be sure to include in the description some standards for evaluating the employee's performance. Everyone should have a set of goals for his work, just like you have goals for the company.

How do you decide what each description should include? Easy! Just keep track of everything the person holding that job does and forgets to do for a month or two.

Figure 1-5 shows a sample job description.

A Good Policy

Every company has policies and procedures. They can be informal understandings that are never written down, or they can be impressive bound volumes. I'm going to argue that written policies are best. You don't have to go overboard, but typed pages available to everyone make it easier to enforce rules. Everyone knows exactly what the rules are. Written rules make it easier for new employees. And the rules are impartial because they're down on paper before some infraction brings a specific person into the picture.

How do you establish company policy? Easy! Policy is what has worked in the past and what you expect to work in the future. Policy is different from an Org Board and isn't like a job description. It applies to everyone in each category. It's a set of rules and regulations for those employees. Figure 1-6 is a personnel policy for office employees in a painting company.

Business, like life, is a learning experience. Early in life you made it a policy to keep your hand off hot burners. Making that mistake once is enough. It's not profitable. It doesn't lead to a positive result. It hurts. Policy statements are written to keep the same mistakes from happening over and over again. Hiring a painter with no experience to do fine custom work is not a good policy. Making that mistake once is enough.

You can make up a policy statement to cover any subject, from the smallest detail to the most obvious task. When something goes wrong because someone didn't know what to do or did the wrong thing, make a note of what should have been done.

The supervisor is responsible for:

- Follow-up on all completed jobs
- Continual supervision of all work in progress
- Preparation for all new jobs

Completed Work:

- 1) Make a final check on all completed work.
- 2) Respond to any customer complaints, and make sure all touch-up work is done to customer satisfaction.

Work in Progress:

- 1) Order all materials. Make sure the correct materials are delivered to the job site.
- 2) If there's a delay due to back-ordered materials, be sure your crew is back on the job as soon as the materials are available.
- 3) Make sure the job is done in proper sequence and using the correct procedures.
- 4) Be sure you have the right craftsmen for each particular job. If the crew you hired is not suited to the job, find one that is.
- 5) Check personally on the progress of the job at least twice a day.
- 6) When the customer has questions about the progress of the job, be sure all inquiries are directed to you and handled by you, rather than by members of your crew.
- 7) When the customer has questions about money or contracts, direct these inquiries to the owner of the painting company.
- 8) Report daily to the owner of the painting company. Let him know the status of each job.

Future Work:

- 1) Record new jobs on a scheduling board.
- 2) Review each job contract with the owner of the painting company. Determine exactly what is to be done on each job.
- 3) Make any special arrangements that are necessary. These might include: ordering materials in advance or juggling the schedule to make sure that the right crew is available for the job.

**Supervisor's job description
Figure 1-5**

Acme Painting Company - Personnel Policy for Painters

Hours: 7:00 a.m. to 3:30 p.m. One-half hour off for lunch. Two 10-minute breaks; one in the morning and one in the afternoon. Work stops at 3:15 p.m. Cleanup is from 3:15 p.m. to 3:30 p.m.

Tools: All painters are required to have the following tools:

- Two spackle blades
- One 3" vinyl brush, flat edge
- One 2" vinyl brush, angle edge
- One 3" bristle brush, flat edge
- One 2" bristle brush, angle edge
- One 4" duster
- Two screwdrivers

Days: Monday through Friday. If Saturday work is required, you'll be notified in advance.

Transportation: Each painter must provide his own transportation.

Appearance: Wear a reasonably clean set of whites. Change frequently. Torn or grimy clothing isn't allowed.

Alcohol and illegal drugs: Use of these items on the job will result in dismissal. *This is the only warning you will receive.*

Theft: Stealing company property or customer property will result in dismissal. *No exceptions.*

Payday: The work week ends on Thursday at 3:30 p.m. Time cards are delivered to the office on Thursday afternoon. Paychecks are issued Friday afternoon at the office or at the job site.

Pay adjustments: Raises result from increased productivity and responsibility. No increases are made due to length of time with the company.

**Personnel policy for painters
Figure 1-6**

When there's a dispute about some personnel matter, make a note of how the problem was resolved. When you have enough notes on a particular topic to fill a page, there's the first draft of your policy statement.

Give a copy of each company policy to all employees concerned. Keep everyone aware that the policy is still in effect by distributing another copy every three or four months. Give every prospective employee a copy of policy statements before you offer a job. A new employee will follow his own policies or those of a previous employer if he doesn't know your policies. Following company policies should be a condition for continued employment.

More to Come on Organization

That's as far as I'm going now on the subject of organization. True, we haven't covered everything needed to get your company organized. But we've hit most of the important high spots. There's more that you need to know. But the remainder fits best in the chapters that follow.

For now, be satisfied to set some goals, compile and review key business indicators, have an Org Board, job descriptions, and policy statements, hold effective meetings, and make it company practice to finish each task before starting the next. If you do that, you're already better organized than most painting companies.

Online Preview



Chapter 2

Finding and Keeping the Right People

No painting company is any better than the employees on the payroll. That makes hiring one of the most important tasks for any paint contractor.

Sure, you can do a lot to improve employee skills once they're on the payroll. You can provide good equipment that helps turn even an average painter into an exceptionally productive craftsman. You can lay down rules and policies that put every employee permanently on his or her best behavior. You can provide incentives and rewards that promote high productivity. But there's no substitute for starting out with the right people. That's the subject of this chapter, finding and keeping qualified, motivated, skilled employees.

How do you find good help? To answer that question, start by understanding the painting profession and painters.

For many years, some general contractors and a portion of the general public have assumed that painters are drunks or transients or both. You've probably heard more than one joke about an

alcoholic painter. I'll admit that the painting profession has its share of misfits and losers. But there are losers, alcoholics, and misfits working as judges, doctors, teachers and cops, too. Most of the painters I know are sober, industrious, conscientious craftsmen.

Many painters do move from job to job regularly. So do carpenters, masons, electricians and plumbers. That's the nature of the construction business. Building has always been transitory work. When times are good, there are plenty of jobs. The pay is good. Everyone who knows a construction trade can get a job. When work is slow, you'll find all types of construction workers drifting from job to job. Many leave the construction industry entirely. They have to. There's no other choice.

If anything, painting offers more permanent employment than most construction trades. A building goes up only once. But it will be painted many times before reaching its normal life expect-

tancy. Painters will still be repainting many years after construction is complete. That gives painters better employment prospects than their brother carpenters, plumbers and electricians.

As a painting contractor, you should always be on the lookout for competent, conscientious, skilled painters. Even when you have enough good painters, keep a file of the names, addresses, and telephone numbers of painters who are available for work. If you land a large job or fall behind on scheduled work, you may need extra hands for a week or two.

Buying Experience and Skills

It's not easy to decide who is and who isn't going to be a valuable employee on the basis of a ten-minute interview. Of course, it's easy to find out how much experience someone has. Just ask him. But experience may not be the best indicator of a painter's value to your company. I've met painters with five years of experience who still haven't picked up what an apprentice should learn the first ten days on a job. Your job interview should include questions about how the prospective employee would handle specific painting problems. Third-degree interrogation isn't necessary. Just start shooting the breeze about work the applicant has done. You'll learn plenty.

If an applicant claims ten years of experience, find out exactly what *kind* of experience. Has he been doing custom work exclusively? Can he spray lacquer? Can he do stain work? If so, what kind? Does he know how birch, ash and oak will react when stained?

Anyone who considers himself a journeyman should be able to handle fine custom work, average re-do work and any new construction. He should also have some skill with staining. You can put a qualified journeyman on nearly any type of job and know that he will get the job done with a minimum of problems.

There's a big difference between painting ten new condos and doing custom work in a law office. An experienced journeyman should be capable of doing both, but most painters handle some types of work better than others. During the interview, find out if your prospect is comfortable with the kind of work your company handles.

An employment application form saves a lot of time. Figure 2-1 is modeled after the application

form I use. Be sure to get the name and phone number of the applicant's last three or four supervisors. After the interview, call these supervisors. Most will be happy to answer any question you have about the applicant.

Before offering anyone a job, show him a copy of your company policy statements. Tell him what you expect of someone in the position he's being considered for. Don't leave it up to the employee to figure it out for himself. If you explain what you expect before hiring, you're more likely to get the performance you desire.

The real test, of course, comes on the job. Put the new employee on a crew with your most experienced supervisor for the first week or two. This is the probation period. You'll know in short order if the new man has what you're looking for.

Some painters are highly productive on one kind of job and have a lot of trouble with another kind. It isn't just experience, either. Painters are human beings and all people are different. You may find that a new employee is a real hotshot with a spray gun but below average on enamel brushwork. Take advantage of his strength with the gun. Have another painter pick up the slack on enamel work. A good man with a spray gun can more than carry his weight in most painting companies.

You won't find many painters who have mastered all the skills needed in painting. Any that have are probably running their own businesses. Be satisfied with painters who show skills in enough areas and are reliable.

Look for More than Painting Skill

Let's assume that you've interviewed several people, and a couple of them have the experience and skill you're looking for. How do you decide which to hire? Here are a few other things to look for in evaluating your applicants.

Clothing — No one paints for eight hours and stays perfectly clean. Splotted, paint-splattered clothing comes with the territory. But paint-splattered clothing doesn't have to be tattered and dirty. Anyone who shows up for an interview in dirty clothes will show up that way on the job, too. And anyone working on your jobs represents your company. Sending a painter to a client's house in ragtag clothing makes a poor impression. This is

Employment Application Form

Name _____ Home phone _____

Address _____ City/Zip _____

Education: High School _____ College _____ Trade School _____

List your last three employers:

Company name _____ Phone _____

Address _____

Supervisor's name _____ Employed from _____ to _____

Company name _____ Phone _____

Address _____

Supervisor's name _____ Employed from _____ to _____

Company name _____ Phone _____

Address _____

Supervisor's name _____ Employed from _____ to _____

Check the types of work you have experience in:

	How long		How long
____ Exterior	_____	____ Custom staining	_____
____ Interior	_____	____ Spraying lacquer	_____
____ Custom	_____	____ Spraying flat paint	_____
____ New construction	_____	____ Spraying enamel paint	_____
____ Staining	_____	____ Large industrial projects	_____

How you ever been a foreman or in charge of job production? _____

If so, what type of work? _____

How many total years of experience do you have? _____

Do you have a dependable car? _____

What tools do you have? _____

Are you looking for full time work? _____ Part time work? _____

Are you willing to work part time? _____

Are you willing to work on Saturdays if necessary? _____ Evenings? _____

Are you willing to travel out of town to work? _____

What is the minimum hourly starting wage you would accept? _____

What was your hourly rate on your last job? _____

Person to contact in case of emergency or accident: _____

**Employment application form
Figure 2-1**

true in all types of painting, but it's especially important when doing custom residential work.

If you and your men show up on the job looking like bums, your client's going think, "Oh boy, these guys are slob! That's probably the kind of work they do. I'd better watch them like a hawk." Don't let that happen to you. Make sure all of your employees know your policy: They should carry a change of "whites" (white T-shirt, shirt and white pants, overalls or jeans) in the truck. Encourage them to change whites occasionally during the job.

Painters aren't lawyers. No painter needs to be spotless. But people feel better about themselves and look more professional when neatly and appropriately dressed. That means a change of whites occasionally.

Neatness on the Job — Neatness is one of the standards I use to judge the professionalism of my painters. Your clients will use neatness as a standard by which your company is judged.

I can see two major benefits of neatness. First, neatness improves morale, productivity and promotes safety. Second, neatness gives clients the impression that your company is capable and professional. Let's take a closer look at both of these points.

Anyone working in a clean, well-organized area can accomplish more. Less time is wasted looking for tools and materials. Less time is wasted repairing soiled or spoiled work. There's less chance of an accident. Slovenly work habits can be downright dangerous if you're working in a home with children or pets. And most people feel more content and comfortable working in a clean, uncluttered environment.

Neatness means that tools are kept in good working order and are returned to an appropriate storage place when work is finished. It means that painting materials are clearly labeled and easy to get to. Buckets are kept clean for future use. There's nothing more frustrating than searching in vain for a clean bucket when you need one. Time spent searching is time wasted.

Good organization and neatness promote higher morale. That improves productivity and raises profits. By itself, that's enough reason to run a clean, neat operation. But the second reason makes the argument compelling: Neatness promotes your reputation as a highly professional, well-organized painter.

Picking up after yourself on a job always leaves a good impression. This is especially true when you're working in someone's home. Some clients don't know enough about painting to spot top-quality workmanship. But everyone knows a sloppy painter when he sees one. Leaving drop cloths, tools and paint scattered throughout the house gives your client the idea that you do sloppy work. Neatness on the job gives the impression of quality.

Several years ago my company conducted a survey of both our general contractor and homeowner clients. Among other questions, we asked, "What is the most important quality that a painting contractor should have?" The answers surprised me. I assumed that speed or quality or low price would be rated as number one. But of the clients who responded, 95% said neatness was most important. Your clients probably feel the same way.

Communication — One of the things I evaluate in a prospective employee is his ability to communicate. Notice that there's more to communication than just talking. Some nonstop talkers aren't communicating at all. Communication requires listening, understanding and responding. A good communicator needs both good listening skills and the ability to get a message across to someone. To communicate is to make a connection. A connection has to be a two-way street.

Your employees will usually be the first to notice something going wrong on a job. They'll be the first to hear a complaint when someone else notices a problem. Evaluating the problem, solving it, or telling someone about the problem takes communication skills. A painter who won't communicate or can't communicate is going to leave some problems unresolved and will make the rest worse.

Here's an example. One of your employees is working alone on a job. The client shows up on the job and starts complaining about a color match. At least three things could happen:

First, the painter could ignore the client and go on painting. He says to himself, "It's not my problem." This is obviously a mistake. It rates a flat F in my grade book. Ignoring the problem shows poor communication skills. I expect my painters to do better.

Second, he could refer the problem to someone. Just calling the office and passing on the complaint

is a step in the right direction. That rates a C or maybe a C-plus if the painter showed courtesy and understanding in dealing with the client.

Third, the painter could use good communication skills to handle the problem right there. He could explain that paint changes color as it dries. The finished job will look more like the sample when fully dry. He could explain to the client that it's nearly impossible to match new paint with weathered paint, even when the formula is the same and the paint is from the same manufacturer. Further, he could point out that the contract for this job states that color samples are approximate and matches with existing paint are not guaranteed. There may be no way to produce an exact match. That's the type of response that rates an A for communication. In effect, the painter has done all that I could do. He's saved me an inspection trip to the job. And if he's satisfied the client, he gets an A-plus.

Good communication seems so simple. But so does painting — until something goes wrong. Then you've got a real mess on your hands. My advice? Stack the deck in your favor. Give hiring preference to painters who have good communication skills.

Hire the Qualified

It's a mistake to hire inexperienced people just because they'll work for lower wages. It's hard for new paint contractors to understand this. But most seasoned pros will agree that it's true. Nothing undermines crew productivity and quality quicker than an incompetent painter. Generally, you get what you pay for when hiring painters. There are bargains. But they're found at the top end of the pay scale, not at the bottom. Some exceptionally productive craftsmen earn more than the top wages they command. Very few underpaid novices are worth what they cost.

The key to making a profit in the paint contracting business is doing it right the first time and in the shortest time possible. With a novice, neither is likely. Here's an example. You sign a contract to paint the exterior of a home. The contract price is a little on the low side, but work's been slow lately. You know that there's still some profit in the job if the labor cost is kept to a minimum. To save money, you hire a couple of would-be painters at \$6.00 per hour. You know that they don't have much experience, but you'll use them and keep

your fingers crossed.

That's usually a mistake. Here's what happens nine times out of ten. The job starts out late and runs behind schedule from start to finish. Everything has to be done two or three times and still isn't right. There'll be a lot of touch-up at the end. You'll waste valuable production time showing your inexperienced painters what to do. The client recognizes that you're struggling and assumes that your company always works that way.

If you had used qualified painters, the job would have gone straight through with little touch-up. Your client would appreciate the speed and accuracy of your crew and recognize their professionalism.

Novice painters always take longer than an experienced crew. In general, the longer a job drags on, the more problems you can expect. Your crew should move onto the site with all the equipment and materials needed, proceed systematically and rapidly through prep, application and cleanup, and then pull off the job promptly. A brisk pace is the most effective way to minimize problems and maximize profits. I've never found novice painters who could maintain anything like a brisk pace.

Rewards and Incentives

Getting high productivity from each employee should be one of your primary objectives. A productive worker will give you a good day's work for a day's pay. But everyone on your staff could work better, faster and smarter with the right kind of incentive.

Incentives take many forms. Some cost nothing. Praise and thanks can be very effective. But I've found that money is the most universal motivator. Any tradesman who knows that there's a bonus for premium performance will usually work to earn that bonus.

Try this incentive on your next job. Tell your crew that finishing the job in four days instead of five will earn a \$40 bonus for each painter and a \$50 bonus for the crew leader. You may be surprised at how much productivity improves.

The bonus doesn't have to be a great deal of money. The reward is mostly in participating in the profits on a job well done. If the crew misses the four-day target but finishes before the end of the fifth day, let them know you appreciate the hard work. Give them a small bonus anyhow. Good pro-

duction should be rewarded.

Here's another incentive you may not have tried. Let a crew "bid" on the job, quoting a total labor cost for the work. You furnish all tools, materials and equipment. You pay a set figure for their labor — no matter how long it takes. You're still the employer, responsible for job quality, handling the taxes and insurance, and collecting from the owner or general contractor. But the tradesmen are free to work at their own pace.

I wouldn't try this "bid" system with anyone but an experienced crew, men you know and trust to do good quality work. Neither would I use this system on anything but the easiest and simplest jobs, which can be done in a week or less. Anything more complicated will involve changes and negotiations that make a dispute more likely. And I wouldn't use this system on any job where there's the slightest doubt that full payment will be received immediately upon completion.

Please don't misunderstand what I'm saying. Under this "bid" system you're not subcontracting the labor. You're just setting the wage by negotiation before work begins. There's a big difference.

Taxes and Insurance

I've seen painting contractors try to "subcontract" labor. It doesn't work. Your state and the federal government make every employer responsible for insurance and taxes, no matter how the amount due is computed. Failing to withhold taxes and carry the workers' compensation insurance required by law subjects you to major penalties. Don't try to evade this responsibility.

Here are the taxes and insurance you have to pay on all employees, no matter how employees are paid:

State Unemployment Insurance: All states have unemployment insurance programs that provide benefits when a worker is laid off or disabled. The cost varies by state and with the employer's history of layoffs. But it's usually about 4% of gross payroll. You as an employer have to pay this to the appropriate state agency monthly or quarterly.

Federal Unemployment Insurance: The federal government also has an unemployment insurance program that provides extended benefits to all employees. You know this program by the initials FUTA. The cost is about seven-tenths of one per-

cent of payroll (0.7%). You have to pay this tax quarterly.

Social Security and Medicare: This one really hurts. It's called FICA on employee pay stubs. Your share is about 7% of gross wages. Each employee also has to pay about 7% of gross wages. You kick in your 7% and withhold the employee's 7%. Deposits go in twice a month to a federal reserve bank.

Workers' Compensation Insurance: State law requires that you provide coverage for accidents which injure employees on the job. The cost of this insurance varies by state, by trade, by year and by your loss experience. For some trades in some states the cost of insurance is close to one-third of the base wage! For painters and paperhangers, the cost is usually between 7 and 10% of the base wage. The rate for supervisors and office workers is much lower, usually less than 1%. But the insurance companies won't divide an employee's time between two jobs. An employee who paints part-time and does office work part-time will be classified as a painter for workers' comp purposes. Premiums for workers' compensation insurance are paid to your insurance carrier monthly, quarterly or annually, depending on the policy you carry.

Liability Insurance: Every employer needs liability insurance to cover injury done to the public by employees. The cost of this insurance varies with the coverage needed and is based on gross payroll. The cost of adequate coverage will usually be about 2.5% of payroll. This is generally paid annually.

The total tax and insurance burden is more than 20% of payroll for nearly all painting contractors. And you as an employer pay it all. You also have to withhold state and federal income taxes from employee wages, but this comes out of the employee's pocket, not yours.

Is there any way to cut corners on these taxes? Not legally. Every employer has to pay in full and on time. Can you claim that your workers are independent contractors responsible for their own taxes and insurance? Not likely. If your state is like mine, you'll have a visit from an auditor every few years. The auditor has heard every excuse for not withholding taxes and has a good argument against each one. He's backed up by a legal department

that's expert at bringing employers into compliance with the law, retroactively if necessary.

My advice? Pay your taxes. Figure your tax and insurance burden at 21 to 25% of labor cost on every job. If you're paying a painter \$8 per hour, your cost is \$10 per hour. Add 25% into every labor estimate, no matter how your tradesmen are paid.

When to Give Pay Raises

Every company with more than three or four employees needs a written policy statement on pay raises. Employees should know what they have to do to earn more money. Having a written policy avoids a lot of disputes. When you hire someone, explain exactly what's required to earn each pay raise. That gives new employees a goal to shoot for.

My recommendation is to grant raises only for increased:

- 1) Production (the volume of work completed)
- 2) Reliability (doing the job without assistance)
- 3) Responsibility (accepting more duties)

If you have an employee who's producing more, is more reliable and is accepting additional responsibility, he's worth more. Do what's necessary to keep that man on your payroll. This type of employee is adding to profits and contributing to company success. It's reasonable that he participate in the success of the company. Provide rewards that are in proportion to the employee's contribution.

Your policy on pay raises should explain how employees are evaluated. Make sure each employee has a copy of the policy statement. Here's an example:

Pacific Painting Job Evaluation Criteria

Pacific Painting employees are skilled professionals who provide high quality painting and coating services to the community. Employees are encouraged to accept additional responsibility, improve their reliability and find innovative ways to meet customer needs at lower cost and in less time. Pacific Painting grants pay raises to employees who can consistently demonstrate increased productivity, who show higher reliability and who ac-

cept additional responsibility.

Increased Productivity means getting more work done in less time.

High Reliability means following company policy so that work is done correctly, on time and without assistance.

Additional Responsibility means accepting extra tasks and following them through to successful completion.

No increases will be granted solely for longevity.

I think this last point is important. There's no advantage by itself to growing older in a job. An employee who doesn't increase productivity, show higher reliability or accept additional responsibility isn't worth any more than the day he walked in the door.

Suppose you tell Joe Smith that he's due for a dollar an hour raise after each six months of service. Joe has little incentive to improve his work. At the end of six months, will Joe be working any harder or contributing more to the company? Probably not. Why should he? You've robbed him of all incentive to produce more, improve his reliability or accept additional responsibility.

The Chain of Command

If you've ever served with the armed forces, you know the meaning of that term. It's the pecking order in any organization, the order of authority. In a painting company, the chain of command begins with the owner or owners. Below him is the field supervisor, who gives instructions to the job foremen. These foremen direct journeyman painters, apprentices and helpers. Let's take a closer look at each of these positions.

Owner— The buck stops here. The owner is ultimately responsible for everything that happens in the company. He answers only to himself, his partners or co-owners. In a small painting company, the owner may also wear the hat of field supervisor. In a two- or three-man company, the owner is also the foreman.

Field Supervisor— He oversees all production. The field supervisor schedules all jobs, keeps tabs on each, handles problems referred to him either by the owner or the foremen, and sets production targets for the foreman on each job. He reports to the owner. The field supervisor is usually non-productive labor — he doesn't do any painting.

Smaller painting companies don't need a field supervisor until there are at least two crews working at the same time.

Foreman— He's normally in charge of only one job at a time. The foreman runs his crew, ensures that the crew meets production goals for each day, and makes sure that all necessary materials, equipment, and tools are available when needed. He handles production problems when possible and refers what he can't handle to the field supervisor or the owner. He should be able to do any type of work required on any job. Foremen are considered productive labor because they're painting when not directing other painters. The foreman reports to the field supervisor.

Journeyman Painter— He takes instructions from the foreman assigned to his job. He may be switched from one job to another as job requirements dictate. His job is pure production — painting!

Apprentice Painter— He's still learning to be a painter. He takes instructions from the foreman and the journeyman painters. His job is to learn the trade while he contributes to the productivity of the crew.

Helper— Every significant job includes hundreds of tasks that don't require skilled painters: moving supplies and equipment, protecting adjacent areas, moving drop cloths, carrying ladders, doing cleanup, going for coffee, sanding, running to the store for supplies. These tasks should be done by the lowest-paid man on the job. That's why it's a good idea to include a helper on any crew that has more than two or three tradesmen.

Helpers are the bottom link in the chain of command, but they can save you hundreds of dollars in painter time on a large job. Use helpers whenever possible. They keep your painters painting.

The chain of command provides a route for the flow of instructions and information going up and down the chain. Bypassing a link in the chain is usually a mistake. For instance, if there's a problem on a job, a journeyman shouldn't start by looking for the owner. The journeyman should follow the chain of command, reporting the problem to the foreman. If the foreman can't handle the problem, he takes it to the next person in the chain of command, usually the field supervisor.

From there the field supervisor may take the problem to the owner.

Instructions flowing down the chain should also hit every link. The owner who makes it routine practice to bypass supervisors and foremen is undermining the authority of those passed over. In an emergency, anything goes, of course. But routine instructions should stick to adjacent links in the chain.

In spite of the value of having a chain of command, there are times when ignoring it is better than using it. I allow employees to skip the chain of command when it comes to personal problems or disputes that only the boss can settle.

My door is always open to anyone in the company who has a problem that's affecting his work. For example, I don't insist that a journeyman or helper discuss a serious personal problem with the foreman or supervisor before bringing it to my attention. But if the problem involves a supervisor or foreman, I'll call that man into the conference.

Accidents

Every experienced painter has probably met an accident-prone painter. Things just keep going wrong around him. He may have the best of intentions and try very hard. But for some reason every time he sets foot on the job, a bucket of paint gets dropped or a roller pole breaks a window.

Anyone can have an accident. But the best workers have less than their share. Others sometimes seem to have far more than their share. If there's someone on your payroll who's accident-prone, you may be better off without him — even if he's an excellent painter.

Every employer wants to show understanding and compassion toward employees. But it's foolish to keep a high-risk painter on the payroll. A little accident with a spray gun can cause a serious injury or cost you the price of a car paint job. Figure 2-2 shows the kind of event your business can well do without. All joking aside, this happens, and can cost you hundreds or even thousands of dollars — and most likely the goodwill of your client.

When to Fire

The last two topics that I have to cover in this chapter aren't my favorites. Neither will they be yours. But they're important enough to deserve your attention. The first is terminating employees.

You fire employees for one of two reasons: First,



Accidents are costly
Figure 2-2

there isn't enough work to keep everyone busy. In that case the discharged employee won't be replaced. Second, you want to get rid of a particular employee. In that case the employee *will* be replaced.

Laying off loyal, trusted employees for lack of work isn't easy. But at least you can offer sympathy and maybe a job later when work picks up. Firing an employee for misconduct or poor work is harder. When and how to fire under these circumstances is a matter of intuition as much as anything. But I can offer some guidance.

Looking back over the employees I've fired in the last ten years, my only regret is that I didn't fire some of them sooner. There are square pegs and there are round holes. Trying to force a square peg into a round hole is a mistake. Some painting companies and some painters just aren't meant for each other. When you discover that situation, the

sooner you part company, the better — for both your company and the employee involved. The Yellow Pages are full of other painting companies. Your discharged employee may fit in perfectly in one of them.

When I reach a decision to fire someone, it's always because that person has not followed the company's policy statements. These statements establish what's expected of all employees. They're the rules every employee has to play by. Anyone who isn't following the rules should expect to be discharged.

If someone has trouble complying, give him a private verbal warning. Make a note of that warning and the violation that made the warning necessary. A second violation might be worth a letter of reprimand. If there's a third violation, the employee should know what's coming. In effect, he's fired himself by refusing to comply with company policy.

When it comes time to fire someone, do it as directly and as promptly as possible. Don't be apologetic or indicate that there's any chance you'll change your mind. You're not doing anyone a favor by making excuses. When it's done correctly, an occasional firing clears the air. It makes the employees remaining on the payroll appreciate their jobs more. And it gives everyone in the company a better understanding of your role and their role.

One last point about firing. Do it fast. Don't let it drag out over several days. Once you've made your decision, take the individual aside as soon as possible. Pay him and send him out the door.

Employee Dishonesty

The last subject in this chapter is employee dishonesty. In my book, an employee that steals from the company or cheats the company is off the payroll, immediately and permanently. I imagine that you agree.

The more difficult problem is dishonesty that can't be proved. I have no simple answer here, but suggest that a pattern of disappearances may point so strongly to some individual that the company is better off without him. This is true no matter how good a painter he may be. When you're painting the inside of someone's home, the last thing you want is a painter going through the homeowner's desk looking for valuables. Take my advice. If you identify a dishonest person, get rid of him.

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