

Contractors... why do you do it!?

Amid the current global economic turmoil, Australia has had a relatively strong economic growth over the past 15 years. With an average GDP of over 3% and 2.5% inflation (ref: Australian Reserve Bank 2007) and record low unemployment, Australia is second to Ireland in the western world for economic growth. This may be due to our tremendous resources boom over a number of years or the good economic management of the past government.

Australia has been prospering for years with plenty of disposable cash and unprecedented access to cheap credit. So, with such growth and economic buoyancy, why are contractors still complaining that they aren't making money? I think contractors are their worst enemy when they are responsible for their actions resulting in achieving net margins around 5–6%. At these rates, no one can optimise the full potential of their business. If companies haven't got the structure to make a decent profit in the current growth market, it would be nearly impossible to sustain profitability in less prosperous environments.

The building industry is full of people who 'play games', with some builders probably on top of the list. With no disrespect to builders who do an excellent job in the industry, they do this because contractors let them! Many often play contractors against each other to get further discounts on an already heavy discounted price. Demands such as 'You need to drop your price by 7% to beat the other contractor' are not uncommon. Contractors prostitute themselves by agreeing to such demands, knowing very well that it's a game, but they make themselves feel slightly better by justifying that this is to maintain 'cash flow'. You might as well stay at home and cry because your dreams have just evaporated into smoke.

Accepting any project with low margins is not only business suicide, it serves the industry poorly. Contractors must position themselves to support a project properly and with a high level of enthusiasm. Often criticisms of any business are based on their performance on the project. Unfortunately, no one cares about contractors' financial arrangements on projects before aiming judgments, so expecting sympathy is a waste of time.

Collectively, we need to change the 'How dare you make money at my expense' culture. As rife as this is within this industry, it's something that can only be achieved when we all stand as one. Clearly, undercutting everyone for the sake of a tick on the whiteboard doesn't meet this objective, but only feeds the egos and bellies of everyone else but you. Contractors that I deal with know that I expect them to make money out of my projects. This guarantees me the best staff on site and, more importantly, we achieve our objective with a lot more vigour and pride. Often I'm disappointed when I learn that either they didn't make money or even lost money on one of my jobs.

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Achieving a higher level of excellence than anyone in the industry and exceeding clients' expectations should be some of the highest goals of a company. This can only be fulfilled when objectives such as beating someone on price are given low priority. Cultivating strong relationships with clients that value your work and consider you as an integral partner of their business would bear better fruit than playing the meat market and getting paid peanuts. It's all about providing the highest level of service and differentiating yourself with everyone else.

Consider letting the clowns play the field, while you become a valuable commodity that clients demand.

Perhaps learning to say the most difficult word — 'no' — to blackmail would not only increase profitability, it will return the fire, passion for excellence and enjoyment of getting out of bed in the morning. You may even be able afford to buy a consultant a beer!



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