Minority Business Enterprise
Business Preparation Virtual Toolkit
2018
Preparing Your Business for Public Work

“We have to get people out of the mentality that they’re just the head of a contracting firm. They’re CEOs. Whether running a construction company or professional service firm, a successful CEO manages to and applies the same principles: execution of a vision supported by operational and financial management.”

- David Cayemitte, CEO of Minority Business Development Institute and The Cayemitte Group, Inc.

The Minority Business Development Institute is an educational non-profit dedicated to removing barriers to success for diverse business owners. We have worked with small, minority, women and veteran owned construction contractors and developers around the country since 2010 to help them to become the CEO of their business. Many contractors do excellent work in the field, but when it comes to running their back office and setting up a strong financial presentation, they are lost! We have prepared this guidebook to help you begin to understand five areas that are key to the success of any contractor:

1. **Business Planning** – What do I want my business to be?
   - Many businesses don’t build a business plan because they think it needs to be perfect. A simple plan is better than no plan! In this section we provide you with guidance on how to plan for YOUR business so that YOU understand where you want your business to be going. The following links provide a template and easy to follow instructions for drafting your business plan:
     - [https://www.score.org/resources/business-planning-financial-statements-template-gallery](https://www.score.org/resources/business-planning-financial-statements-template-gallery)

2. **Strategic Planning** – How am I going to get there?
   - A strategic plan helps you to weed through all of the work you do every day and get a better understanding of how you can best use your time. The following link provides a great template to get you started with strategic planning:
     - [https://www.forbes.com/sites/davelavinsky/2013/10/18/strategic-plan-template-what-to-include/#126fab1e47e1](https://www.forbes.com/sites/davelavinsky/2013/10/18/strategic-plan-template-what-to-include/#126fab1e47e1)
3. **Marketing** – How can I make my best business impression?

- Putting your best foot forward as a business owner and creating a searchable profile of your business will build your business. In this section, we provide a step by step overview of how to build some key marketing assets for low or no cost. The following links will help you create a One Page Marketing Flier:
- The next links will help you to secure a domain name and create a simple website and professional email address:
  - [https://smallbiztrends.com/2016/05/free‐website‐builders.html](https://smallbiztrends.com/2016/05/free‐website‐builders.html)
- This article will help you to select social media management tools:
  - [https://www.forbes.com/sites/forbesagencycouncil/2017/05/15/15-social‐media‐management‐tools‐that‐can‐help‐your‐business‐thrive/](https://www.forbes.com/sites/forbesagencycouncil/2017/05/15/15-social‐media‐management‐tools‐that‐can‐help‐your‐business‐thrive/)

4. **Preparing to Bid** – What do I need to consider before I bid a construction project?

- Bidding a project commits you to working on the project if you have the winning bid. You want to be sure that you only bid projects that will make money and that you bid them properly. This section provides a step by step checklist of items that you should review to help you bid effectively.

5. **Qualifying for Surety Bonding** – What do I need to do to qualify for bonding?

- If you are bidding on public or large commercial projects as a prime or a subcontractor, you will eventually need to be bonded. Qualifying for bonding can take time, so it is best to start building your application as early as possible. This section provides an overview of what you will need to do to qualify for bonding.
  - For more information about how to apply for bonding, including sample forms: Contractor Questionnaire, Bid Bond and Final Bond Request Forms, Contract Surety Document Requirements, as well as samples of required documents and key definitions, please visit our website:
    - [http://www.minoritybdi.org/surety_forms‐library.shtml](http://www.minoritybdi.org/surety_forms‐library.shtml)

We commend you for taking this step toward growing your business – and more importantly – on becoming more than just a contractor or a business owner. As you build your business infrastructure, you will earn the right to proudly call yourself a CEO!
Business Planning 101
Business Planning

Introduction

• Your Business Plan is your roadmap for your Vision of WHO you want your company to be.
• Creating a plan can be intimidating. Keep it simple to start.
• Planning helps you to focus on what is important and evaluate your activities.
Business Planning

The business plan tells us WHO you are as a business:

• Who is running the business? What makes them qualified? What do they bring to the table that adds value?

• Who is the competition? What do they offer and what makes you different?

• Who is your customer? How big is the market? Where are they? What do they want and how will you give it to them? Also, how will you connect with your market?
Business Planning

Who will want to see your plan?

- Bankers or investors that may provide capital
- Surety underwriters
- Key employees
- You! You should revisit your plan regularly to make sure you are staying on track, and revising it as your vision changes.
Business Planning

Getting Started

• Buy a notebook to write down your ideas

• Read through a template or sample business plan to get an idea of what you should be writing

• Don’t feel that your plan needs to be perfect, which can stop you before you get started

• Try to have some fun with the planning – this is your life’s work you will be writing about!
Business Planning

Components of a Basic Plan

- Executive Summary
- Business Profile
- Market Analysis
- Strengths, Weaknesses, Opportunities, Threats ("SWOT") Analysis
  Marketing Plan
- Budget
- Resumes; photos; references
Business Planning

Executive Summary
• Write this Last!

• Once you have fully evaluated your company and your vision with the plan, then you will be prepared to summarize!

Company Profile
• What does your firm do? What are your specialties? What makes you different?

• This can become your 20-second “elevator speech”
Business Planning

Market Analysis:

• What is the landscape of the market you are working in?

• Who is your competition?

• How does your business profile differentiate you in a way that makes you marketable?

• MWBE/DBE/SBE status is a corporate asset – goals for more diverse participation on public procurement are on the rise and are being better enforced!
Business Planning

SWOT Analysis

• **Strengths** – what is your sweet spot – what you do really well?

• **Weaknesses** – what needs work? Where should you focus your energy for improving yourself and your business?

• **Opportunities** – what can you leverage for growth? SBS programs “bidding opportunities,” contracting opportunities, MWBE status,

• **Threats** – what must you protect against?
Business Planning

SWOT Analysis

- Real Purpose: fine tune your mission
- Does this evaluation make you realize that you need make changes?
- Are you spread too thin?
- Are you focused on areas that are profitable?
- What changes will facilitate making more $$$?
Business Planning

Marketing Plan

How will you bring in new business?

• Social media
• MWBE events and shaking hands
• Word of mouth
• Advertising
• Bid services
• Meeting with Primes and Owners
• Other?
Business Planning

Budget – This is a MUST HAVE! (but most small firms don’t!)

• Annual budgets allow you to monitor your progress as the year unfolds
• Create a budget, track variances and make changes where needed
• Think through strategy and allocate resources
• Understand when to pull back with expenses before they derail your goals
• Understand where your money goes

Budgeting for Construction Firms – How To:
Business Planning

Resumes, references, photos of work

- *Present yourself as a successful CEO*

- This is the fun part – time to show off!

- Ask happy clients for testimonials about your work

- Photos of you, your team and your work draw readers in

- Resumes and biographies show your team’s depth
Business Planning

• Business and Strategic Planning helps you to make more efficient use of your time by planning and retooling methodically

• Don’t seek perfection – this takes time you don’t have; organize your ideas so that you understand them

• BUT: If you need to share your plan with outsiders: follow a template, be neat, concise and accurate (no typos, spelling or grammar errors), have a trusted adviser review if possible
Business Planning

Business Plan Template
https://www.score.org/resources/business-planning-financial-statements-template-gallery

Construction Business Plan – How To:
Strategic Planning 101
A Strategic Plan sets specific goals, sub-goals and action steps for your business.

While business planning is about WHO you are, strategic planning is about HOW you will reach your goals.

A Strategic Plan documents a vision for what you want your company to achieve and provides a road map for how to get there.
Strategic Planning

Goals can be **organizational**:

- Assess efficiency of staff
  - conduct weekly staff meetings
  - develop and use a WIP schedule
- Improve customer service
  - review best practices for phone calls and emails
- Transition to a new construction specialty
  - research licenses/training needed
- Improve the quality of your work output
  - take continuing ed courses
Strategic Planning

Goals can be marketing-oriented:

- Plan activities to increase new business
  - research events to attend, put them on calendar and get ready
    - create a “One Pager” or Business Brochure to hand out at events
  - set up Facebook/LinkedIn page so interested prospects can see more about me and my work
- Develop and practice elevator pitch
Strategic Planning

Goals can be financial:

• Qualify for a line of credit
  • Improve personal credit score to qualify for lower interest rates on loans
    • Set up online banking and paying bills automatically so they are not late

• Work on Financial Presentation
  • Develop Internal Financial Statements
    • Set up/improve QuickBooks
    • Learn to close out books each month
Strategic Planning

Considerations:

• What is your measure of success? Define metrics that matter and plan how to track them

• What must happen for you to achieve your goals? What resources do you need? Can you afford them?

• Lay out a timeline, assign tasks to yourself or team members, and track progress
Strategic Planning

• Strategic plans usually address a 3-5 year period with short and long term goals (but if you can only work quarterly - still plan!)

• Benchmarks should be realistic and allow time to plan, execute, and gain traction between milestones

• Keep in touch with your strategic plan - it should not gather dust. It should keep moving with you!
Strategic Planning

**Mission Statement and Elevator Pitch:** these can be taken from your business plan

**SWOT analysis:** of your business helps to set goals, optimize the positives and reduce or control the negatives

**Goal Setting:** may include problem statements with itemized steps toward solutions and key performance indicators to review and determine success

**Action Plan:** includes activities that lead to your goal with benchmarks (e.g. compile a list of 10 primes to contact by 12/1; schedule appointments by 12/7)
Strategic Planning

Using the Plan: review your goal and its key performance indicators (KPIs); rework goals as needed:

- **Goal**: business development
- **Action step**: meet with known primes
- **Result**: no new business
- **Analyze KPI**: what was my false assumption? (contacting known primes is enough to build my pipeline)
- **Adjust**: the action step (meet with new primes, review agency RFPs, advertise)
Strategic Planning

- Strategic Planning helps you to make more efficient use of your time by planning and retooling methodically.

- Don’t seek perfection – this takes time you don’t have; organize your ideas so that you understand them.

- BUT: If you need to share your plan with outsiders: follow a template, be neat, concise and accurate (no typos, spelling or grammar errors), have a trusted adviser review if possible.

MBDI minority business development institute
Marketing 101
Making Your Best Business Impression
Making Your Best Business Impression

Overview

• Your company Voicemail, Business Card, Capabilities Statement, Email, Website and Social Media sites often provide the first impression for your company

• Make sure that your FIRST impression is a GOOD impression

• Professional messages and representation are important to the success of your business

• We would like to provide some tips to help you show the world that you are ready for success!
Making Your Best Business Impression

Phone and Voicemail Message Best Practices

• If you use your phone for business and personal, always be prepared to speak with a potential client when you answer a call. Identify your company name and your name when you answer the phone.

• On your voicemail message, identify your company name and your name first. Ask the caller to please leave a message and to include their preferred method for call back.

• Thank the caller for their interest in your firm.

• Be sure to return all phone calls ASAP – no later than 24 hours.
Making Your Best Business Impression

Business Cards

• If you do not have a business card, you should order them ASAP! Cards are a professional way to introduce yourself and share your contact information. *A quick Google search will help you to find many low cost options.*

• Your business card should include your business name and logo (if you have one), your name and title, address, phone number and email address. List your trade and any licenses and certifications that you have (MWBE/DBE, etc.)

• Carry your business cards with you everywhere. You never know when you will meet your next client!
Making Your Best Business Impression

One Page Capabilities Statement

• When you attend marketing events, you should bring a capabilities statement to share with potential clients so they can learn about your work and remember you.

• Your “one-pager” should be printed out on nice quality paper.

• Include key information: Firm name and contact info, NAICS codes/trade, size of largest project performed, past client names, testimonials from happy clients. Are you bonded? Are you a certified as an MWSDBE?
Making Your Best Business Impression

One Page Capabilities Statement

Sample Instructions and Template:


Making Your Best Business Impression

Email Address

• Does your email address represent you properly as the CEO of a company? Or does it look like a personal address?

• If you answered no, then your email address is not making a strong first impression.

• Consider purchasing a domain with your company’s name and using it for your email address.
Making Your Best Business Impression

Securing a Domain Name for a Website and Email Address

To create a company web address, you will need to buy a domain. This is easy to do and affordable.

Website hosting will cost around $15.00 dollar per month
Domain name registration cost $14.99 per year
It will include basic email with domain name for example: DGonzales@DinaGonzales.com

If you are brand new to this, you may want to try:

Www.wix.com
www.web.com
www.weebly.com
These sites have domain and email registration options.
Making Your Best Business Impression

Creating a Basic Website

• Does your company have a website, even one page, where potential clients can learn about your capabilities?

• Many free services allow you to create basic pages: https://smallbiztrends.com/2016/05/free-website-builders.html

Make sure to include testimonials, your capabilities statement and photos that are accurate representations of your work.
Making Your Best Business Impression

Social Media – It’s Free and Effective

• Is your company on social media?
  • There are many ways to spread the word about your firm and services. Word of mouth is very important on many levels. Using social media for business can streamline the process.

• With social media, you can create your business profile and make it public. When someone searches for your business, they see your business how YOU want it to be seen.

• Using social media is a great way to stay engaged and connected with your current customers and help potential customers make their decision on choosing you for their needs.
Making Your Best Business Impression

Social Media

• There are many different options and sites to use. We know that getting started can be overwhelming.

• The most popular social media sites for business include: Facebook, LinkedIn, Yelp, Twitter, YouTube, Pinterest, Instagram, and Meetup.

• We know you are very busy. Posting on social media is probably the last thing on your mind. You may want to consider a social media management system.
Making Your Best Business Impression

Social Media

• Social media management systems are great for saving time and still staying connected.

• These tools provide a management and engagement platform for social media business pages.

• A single streaming box makes sure you never miss a message. Tools allow seamless posting across sites. You can preschedule messages for posting on Twitter, Facebook, LinkedIn and more simultaneously.

Making Your Best Business Impression

Find Help!

• If you are overwhelmed, consider reaching out to a local college or high school to find an intern who can help get you started.

• Students often need to build their resumes, and they can work very affordably.

• A student may be able to help you with use the necessary tools to create a free webpage, one page marketing flier and social media for business site very quickly.
Preparing to Bid
Comprehensive Checklist
Preparing to Bid

• When preparing to bid a project, a great deal of information must be compiled and understood for the bid to make sense and for the project to make money for your business.

• This presentation can be used as a checklist to guide you through the pre-bid process.
Bid Process (Site Meeting)

• After agreeing to bid the project, preparing for the site visit is paramount to a good start of the bid process. To prepare for the site visit, review the following:

✓ General and Supplemental conditions
✓ Is the site visit mandatory or not?
✓ Do you have drawings in hand?
✓ Do you have measuring tools?
✓ Do you have a camera?
✓ Have you reviewed drawings prior to visit?
✓ Do you have correct address of meeting site?
✓ Do you have correct time of the meeting?
Project administration needs & requirements

✓ Identify project personal
✓ Project manager (s)
✓ Assistant project manager (s)
✓ Superintendent (s)
✓ LEED requirements
✓ Payroll needs
✓ Certified payroll
✓ Equipment needs
Materials & Equipment Procurement

- Pricing
- Lead times
- Owner supplied
- Contractor supplied
- Rentals or lease options
- Finishes, Material, and equipment schedules review
- LEED Materials (If applicable)
Materials & Equipment Procurement

✔ Material Storage
✔ Submittal Approval
✔ Escalation cost
✔ Exclusions
✔ Open vs. Closed Shop
✔ Taxes
✔ Rigging and Hoisting
Insurance Review

✓ Requirements
✓ Limits
✓ Bonding – Apply before you decide to bid!
✓ Sunshine Letter (letter from your brokers saying that you will qualify for bonding)
✓ OCIP, CCIP
✓ Liquidated damages (if applicable)
Site Safety Needs

✓ PPE (personal protective equipment)
✓ Occupational Safety and Health Administration (OSHA) trainings (10- and 30-hour outreach courses, etc.)
✓ Third party needs (*if applicable*)
✓ Other equipment (*if applicable*)
Site Logistics

✓ Existing conditions evaluations
✓ Transportation
✓ Parking
✓ Staging and storage of materials
  ❖ Security
  ❖ Insurance
Labor Environment

✓ PLA (Project Labor Agreement): Also known as a Community Workforce Agreement, a PLA is a pre-hire collective bargaining agreement with one or more labor organizations that establishes the terms and conditions of employment for a specific construction project.

✓ Open shop: No labor agreements exist for project being bid

✓ Closed shop: Project being developed under the laws that govern the entity.
Liquidated damages - Liquidated damages (also referred to as liquidated and ascertained damages) are damages whose amount the parties designate during the formation of a contract for the injured party to collect as compensation upon a specific breach (e.g. late performance).
Subcontractors

✓ Contract
  ❖ Terms & Conditions
✓ Certificate of insurance
✓ Secure Sunshine (bonding) Letter if necessary
✓ References and specific project experience
Request for Information (RFI’s)

- An RFI is made by a bidder – it requests Information relating to the plans and specifications provided to bid. This answers are shared with all bidders to level the playing field.
- Number of RFI’s - if too many are generated, it calls into question the accuracy and quality of the specs. If none, maybe the estimator isn’t looking closely enough.
- Before you bid, review all RFI’s submitted/answered
- Review RFI’s un--answered – if your questions haven’t been answered, you have incomplete/inadequate information
Value Engineering

Value engineering looks at how a job can be done cheaper

✓ Internal - e.g. means and methods to build a project that allow you to do a job for a better price such as optimizing your work force or pricing out materials better. These methods are not shared with the client

✓ External – e.g. savings provided by utilizing supplies that are less expensive than what is requested. The method may be shared with the client depending on timing.

✓ Look at Constructability – the way in which the project is built. Is the project able to be built the way that the architect has specified (2 dimension plans v. 3 dimension building)? If it cannot be done, friction: do you tell the owner or wait until you get the job and bring it up as a change order?
Bid Submit (Go!)

✓ Bid submittal sheet review
✓ Bid crafting and submittal form
✓ Team evaluation and submittal
✓ Does this make sense? If yes, submit bid!
Estimating Worksheet (Take-offs)

✓ Scope of work
✓ Notes review
✓ Inclusion/exclusion
✓ Units of measure
✓ Cost per unit*
✓ Direct cost of specific goods or services.
Estimating worksheet (Take-offs)

✓ Overhead & Profit

❖ Indirect cost such as administration, phones, photo copies & insurance should be calculated

❖ Understand after everyone has been paid how much your company will make.

✓ Insurance cost review

❖ Does the project have an OCIP or CCIP (Owner Controlled Insurance Program)?

❖ Do you have subcontractors – if so does your GL provide 3rd party action over coverage?

❖ Do you have adequate Umbrella, Worker’s Comp?
Introduction to Bonding
Advantages of Bonding

- Bonded firms have more job opportunities

- A bond helps grow a business more profitably

- Firms that are bonded stay in business longer (due to secondary oversight on projects)

- Large prime contractors and agencies will understand that your firm has the capacity to complete projects successfully
What is Bonding

A **Surety Bond** is a three party contract:

- **The Contractor** promises to do the work;
- **The Surety** guarantees that the Contractor can do the work, and steps in to complete the work if the Contractor cannot; and
- **The Project Owner** pays for the bond in exchange for this guarantee
What is Bonding

A bond is an instrument of pre-qualification:

The surety tells the agency/prime/project owner that the contractor has been examined and found to be qualified to complete the project.
Qualifying for Bonding

• To apply for bonding you must complete a detailed Application.

• First impressions are important – how you present your firm in the application is the first qualifying step.

• Depending on the size of your firm, a great deal of additional information may be required to qualify for bonding.
Qualifying for Bonding

Underwriters look at the 3 C’s when evaluating an application:

• Is the principal trustworthy, reputable and of good character?

• Does the principal have the capacity to complete the work guaranteed by the surety bond?

• Does the principal have adequate capital to finance and complete the work that is to be bonded?
Qualifying for Bonding

An Unofficial “4th C is just as important:

- **Cooperation** is required to qualify for bonding and to maintain a strong relationship with your bonding company.

- This means that your application should be complete (no unanswered questions), honest and neat. All requests for additional information should be answered immediately.

- **Don’t be afraid to ask your broker for help. If your broker won't help, seek a broker dedicated to working with small contractors!**
Bonding vs. Traditional Insurance

• To secure business auto insurance, the contractor completes an application, submits it to the broker/agent and secures a quote.

• To qualify for bonding, the contractor must prepare an in-depth submission. This often requires the firm to create documents they may not have, and establish systems they may not understand.

• When a claim is made on an auto policy, the adjuster assesses the loss and a check is cut to pay for repairs exceeding the deductible. The premium may go up, but the insurance company does not ask the policy holder to repay it for the cost of repairs.
Bonding vs. Traditional Insurance

When a claim is made against a surety bond, the surety replaces the contractor and finishes the project within the scope of the terms of the contract at no additional cost to the owner.

- The surety, relying on the General Indemnity Agreement, holds the contracting business and the owners personally liable for all costs exceeding the contract amount.
- All sureties require the business owner to assume personal liability for losses if the business cannot pay.
- In other words, the contractor must pay the surety back for the money and services it has advanced on its behalf.
- It is crucial to be well prepared for any project you bid!
Requirements for Bonding

Requirements for bonding vary based on the size of the contractor:

1. Under $500,000 in revenue
2. Over $500,000 in revenue
3. Over $5,000,000 in revenue

Each tier has different requirements for an underwriting submission, with the under $500,000 tier able to submit the “fast and easy” applications that rely heavily on the business owner’s personal credit score.

Starting at $500,000 in annual revenues, firms begin to require more in-depth or “full” submissions. These requirements are laid out in the next slides.
Contractors under $400,000

Limited Bond Line
- Various bonding ranges capped but most are capped at $400,000
- Document Requirements must be able to furnish some financial statements to qualify for bonding

Fast Qualification Process
- Based mostly on Credit Score
- 1-2 day Approval

Project Limitations
- Projects that last longer than 12 months do not qualify
- Projects that require work near or on water are not eligible
- Projects excluded include any contract that has asbestos, mold, lead or other environmental hazards
- Cannot subcontract more than 50% of project cost
On-Line Bond Submission (<$500m)

• Largely based on your credit scores

• One or two financial statements or tax returns are required

• Bank statement (working capital) must be verified
Full Submission for Contractors over $500,000 in Revenue

Documents Required:

- Questionnaire – 5 pages
- CPA Financial Statements (3 years preferred)
- Tax returns
- Resumes of Key employees
- Bank letter and statements
- Proof of Insurance
- Personal Financial Statement of owner(s) and spouse(s)
- Work in Progress schedule
- Accounts Receivable aging schedules
- Organizational chart (sometimes required)
- Job references – completed projects
Bonding Capacity

What a contractor **BELIEVES** should be their bonding capacity may not be what the surety is willing to support.

A firm must **QUALIFY** for a bond or bond line. Examples:

- An underwriter will not grant a bond for a $1mil project if the largest completed contract was $500,000
- An underwriter will not grant a bond to a GC for a plumbing contract – it is outside of their regular scope of work
- A rule of thumb is that a surety will not bond a project that is more than 1 ½ times the size of your largest recent project.
How to Begin the Process

• Most bonding companies require that you apply through a broker.
• Contractors with less than $500,000 in revenue can apply to some sureties directly by completing online applications.
• Not all insurance brokers understand bonding. You need a specialist.
• Not all bond brokers work with small contractors. Make sure to ask your broker if they handle contractors that are your size and if they have access to markets focused on small firms.

Ask your local small business resource center for help finding a surety bond broker in your area.
THANK YOU

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