

- CRITICAL PATH PLANNING
- LAND PLANNING
- MANAGEMENT CONSULTING
- PLANT LOCATION

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January 3, 1975

Detailed Report

Business and Technical Consulting with
Newson Construction Company, Inc.
4121 North 27th Street
Omaha, Nebraska 68111

Dates of Conference Visit: October 31 and November 1, 1974

For: Lawrence Leiter & Company
Kansas City, Missouri

and Small Business Administration
Omaha, Nebraska

Attention: Mr. David R. Bywaters, CMC
Lawrence Leiter & Company

By: Ralph J. Stephenson, P. E., Consulting Engineer
Detroit, Michigan

Introduction

On October 31 and November 1, 1974 I met with Mr. Fred Newson and his staff of the Newson Construction Company, Inc. in Omaha to evaluate Mr. Newson's business operation, to determine his needs for continued improvement and to establish, to some extent, the degree to which he is qualified for additional business assistance under SBA programs. The two days were divided between traveling Mr. Newson's various in-work and completed projects and conferring with him and his estimator/office manager, Mr. John Flor. Discussions were informal and included such topics as types of jobs most suitable for the Newson Company, mark-up, profit expected, profit earned, company growth, staff requirements, overhead, equipment usage, bonding, estimating procedures, planning and scheduling, company models and public relations.

My efforts were primarily directed during the two days toward giving Mr. Newson and Mr. Flor immediately usable practical advice that was applicable to their current and near-future operations. Thus, much of the data reported in this detailed summary has been already conveyed to these two gentlemen face to face as we traveled jobs and worked in their office.

I sent an earlier interim summary report dated November 14, 1974 to Mr. Bywaters at Lawrence Leiter, with a copy to Mr. Gerald Kleber of the Small Business Administration in Omaha. This brief letter summarized my overall findings of Mr. Newson and his organization. Rereading the letter, in light of further analysis, indicates to me that the information contained in it is still valid and I suggest that the summary report be considered an integral part of the data file on Mr. Newson and his company. The purpose of this detailed report is to further elaborate on that summary document and to provide a better insight into how the recommendations formulated in the summary were derived.

It would be appropriate for a followup two-day interviewing session to be made with Mr. Newson and his company probably sometime in the first quarter of 1975. This would allow the SBA to gain a further insight into what improvements have been generated as a result of the initial conference and also, to further evaluate the activities of Mr. Newson and his staff regarding the business and technical moves they have made during the intervening period. I shall be in touch with Mr. Bywaters regarding this continuing action.

The report below is presented in time sequence covering the two days - Thursday and Friday, October 31, 1974 and November 1, 1974 - as our various conferences and discussions proceeded. Elaboration and analysis of the several conversations are given as they were encountered.

Thursday, October 31, 1974

Early in the morning Thursday, October 31, 1974, I visited with Mr. Frank Yelich. Mr. Yelich gave me an objective over-view of the Newson organization, based upon records the SBA has on jobs done in conjunction with them. He reviewed the performance of the company, their apparent strengths and weaknesses and the staff of the organization. After a short conference with Mr. Yelich and the SBA's financial staff member, Mr. Flor and Mr. Newson met me at SBA headquarters and we traveled to their base of operations. Following brief discussions there, we visited several of their projects, including an Offut Air Force

Base housing project, the Offut Air Force Base Medical Foods Inspection Facility and the Roadway Express truck terminal project which Mr. Newson had done for a large construction company in Omaha.

The Offut Air Force Base housing project consists of a large number of housing base slabs on grade, along with walks, driveways and patios. The workmanship appeared generally good to excellent and as we walked the job and made detailed observations of the operational aspects of work completed and in-work, I was impressed by the practical knowledge and analytical ability exhibited by both Mr. Newson and Mr. Flor. It was apparent that Mr. Newson likes the concrete flat work business (sidewalks, drives and other types of slabs built on grade) and feels this is one of the major strengths of his company. Mr. Flor also exhibited considerable knowledge about this very specialized form of construction operation.

On the housing job Mr. Newson is a sub-contractor of National Homes and is presently working very close to his financial limits. There was a good chance that Mr. Newson would be able to negotiate additional work on this project with National Homes and we talked at some length about the best methods of approaching this new construction potential.

I suggested Mr. Newson be very conscious of outlining in detail the contractual arrangements under which he will operate with any of his clients prior to the actual start of field work. It is essential when working as a construction firm with a high ratio of labor to material that quick payment for work completed be realized. This is primarily due to the need to meet a payroll once each week or two weeks speeding up normal cash outlay. Thus, if the average age of accounts receivable exceeds the payout period age by any great amount, excessive amounts of working capital are required and it becomes essential to recapture the withheld amounts by charging excessive mobilization costs, some of which are not recoverable. Therefore, I strongly recommended to Mr. Newson that any additional work on this housing project be negotiated on the basis of a smaller withheld amount and a payment method where the withheld amount could be recaptured at an early date, provided work installed was satisfactory and accepted.

We next visited the Medical Foods Inspection Facility which basically is a military professional office building containing food inspection services for the base and serving as the veterinary facility for pets of air force personnel. On this project Mr. Newson was the general contractor and did all work either with his own forces or by sub-contract. The building is a reasonably well done structure and although some problems were apparently encountered by Mr. Newson in its construction, the end result is a good looking, serviceable facility.

The third job visited was a 35,000 sq. ft. truck terminal floor slab on grade which Mr. Newson constructed as a sub-contractor for a large building firm in Omaha. The floor slab was apparently built in about seven days with six laborers and three cement finishers. The work is excellent and the slab as good as any I have seen in recent months.

Later in the day we briefly inspected another flat work project for a moving company consisting of a loading apron and a small recessed truckwell. This work was done directly for the owner and again showed a relatively high degree of quality.

Upon our return to the office I spent considerable time discussing the office and field operations directly with Mr. Flor. Mr. Newson participated occasionally in this session but basically left it up to Mr. Flor to convey the information needed.

Mr. Flor is 27 years old and came to Mr. Newson's office from UCAN where he worked subsequent to his discharge from the army. He is a graduate in construction science from the University of Nebraska and has what appears to be a relatively good feeling for design and construction. His estimating experience was gained by work he did with another construction company for two years prior to going into the army. Generally he likes Omaha and has a great deal of respect for Mr. Newson, feeling the company is on its way up. He apparently is a hard worker and obviously enjoys the respect and trust of Mr. Newson.

Most of our discussion at the morning session revolved around bonding, profit margins, overhead and other markup elements. The Newson Construction Company's bonding capacity is presently about \$100,000 and this, as with many contractors, poses serious problems, particularly when much of their work is for public or private agencies which require a bond before any work can be done. In most cases the Newson organization prefers to take on a labor contract which does not erode their bonding capacity with the purchase of standard materials.

Another related bonding problem is that quite often the private contractor who uses Mr. Newson as a sub requires the Newson Company to bond their own work. However, there is an encouraging trend here in that some of the better contractors for which Mr. Newson is now working will bond the project themselves without requiring a bond from Mr. Newson. Thus, his bonding capacity is their sufficient guarantee he can do the job.

We went into considerable detail about markup and Mr. Flor discussed the various percentages they are presently using for many of their jobs. This included markup for insurance, taxes, fringe benefits, small tools, equipment, general office overhead, office salaries, rent, utilities, employee insurance, principal insurance and profit. I feel that Newson's markup figures are adequate and that the company staff has a good enough grasp of the elements that make up sufficient overhead and profit markup to avoid major financial difficulties in this area of operation.

Mr. Flor and Mr. Newson demonstrated that they are best equipped in a construction sense and most knowledgeable about the markup on labor elements of their contracts. In a sense this is an important emphasis to consider in expansion of the company. A firm that desires to grow in the general contract area usually is also growing in taking on total and single responsibility patterns. In a construction market where material shortages and problems exist, often the major function of the general contractor is to manage the flow of labor and material to the job site and to oversee its proper placement. Thus, there will be a continuing need for the Newson organization, if they desire to grow as general contractors, to be able to take on a larger material management involvement than perhaps they have either actually or under consideration at present.

However, I agree wholeheartedly with Mr. Newson's present emphasis on providing as much of the labor portion of the contract as possible to avoid using his bonding capacity in the purchase of materials. This is very wise and will allow higher construction volume to be reached without tying bonding capacity and working capital up with material purchases, some of which can be risky in today's market. The important element is to understand that as the firm grows as a general contractor there will be a need to become more knowledgeable and astute about how to estimate, purchase and charge for larger amounts of material than presently is the case.

Further conversations with Mr. Flor indicated that the three major concerns he and probably Mr. Newson presently have, are with planning and scheduling work, bonding capacity and maintaining or reducing their overhead as their volume grows. As with many small, young businesses, the records that have been kept in the company are very sketchy to date. Mr. Newson is a doer and most of his construction career has been spent in running and often actually doing work in the field. The very reason Mr. Flor is now on the staff is to assist in maintaining a better record keeping system and to bring order to the

technical and business record system.

Relative to planning and scheduling, present work is planned and accomplished with nominal attention to such elements. I did go over in brief detail with Mr. Flor and Mr. Newson the concept of network planning using critical path method, and also talked briefly about some of the translations possible such as bar charts and slant charts. Time did not permit, however, a detailed explanation of any of these techniques and further, it was not appropriate at this time since Mr. Flor has a good academic grounding in critical path method. In subsequent meetings with the Newson staff, it would be proper to go into the subject in more detail. There is no doubt that better methods of planning and scheduling work will be needed as the construction volume of the firm grows.

Bonding capacity we have already discussed briefly, but it, by its very frequency of mention, remains a very heavy mental burden and financial problem for the Newson Company as it does with most small contractors constructing public facilities.

The third problem area - overhead - is a business bugaboo for every firm in our private sector and has become with today's social and political environment, almost unmanageable. However, if the Newson organization is to remain in business, they must and in my opinion, probably will find a method of living within their means. One requirement for controlling overhead is that adequate records be kept of how much it costs to do business. To date the records of the company, as mentioned above, are less than adequate. However, with the addition of Mr. Flor to the staff and with the present use of a public accountant, it is entirely possible that given a suitable period of time, say one year, considerable improvement in the record keeping process will be gained.

Billings are prepared by Mr. Flor along with the secretarial help available in the office. Mr. Flor also pays all bills and issues all checks. The company field work force ranges from 12 to 24 depending upon the work volume. It was estimated that the average for the year as of the date of the interviews was about 12 which is considered by Mr. Flor and Mr. Newson a low number. The approximate breakdown of this was 6 laborers, 3 cement finishers, 2 masons and 1 iron worker. Mr. Newson feels he gets a relatively high production from this crew and that their burden to him in unproductive hours, although not as low as it could be, is sufficient presently to maintain an acceptable standard

of performance. Increased productivity, if there is a less than acceptable effort shown by proper records, is one help in improving the cost picture since a higher volume can be done with the same labor force if productivity can be improved.

It should be pointed out, however, that the work at Offut Air Force Base on the housing slabs was, in Mr. Newson's opinion, done by his company very effectively. In fact, the morning we inspected the project, the general contractor on the job was attempting to pour housing floor slabs that Mr. Newson had been doing with a minimal crew earlier. The general contractor had more than 20 men working on one floor slab. The operation was very inefficient and if maintained as a working arrangement, would be far less effective, less productive and produce a higher overhead than Mr. Newson's figures for the same operation.

The tough overhead nut that has to be cracked is that of paying for expansion into additional office personnel and developing a better managerial control system. The company is experiencing a profit plateau while volume increases. This is usually caused by the need, as volume increases, to add levels of management. In this case, staff to help Mr. Newson manage the firm. Usually, adding staff does not allow management's full span of control to be taken advantage of immediately. In other words, if Mr. Newson is directly running his field operation and suddenly finds that he must spend more time running his office and hire people to run the field, usually he cannot afford to build immediately to the four to six man control limit with which he can have a direct reporting relation and still be effective himself. Thus, there is an under-using of managerial talent that still must be paid for at the same overhead rate as when managers are being more highly utilized. This is a penalty paid by the growing company as it adds additional layers of management personnel. The answer is to continue improving effectiveness and of course, to increase volume of profitable work. This overhead plateau is commonly encountered in contracting companies at certain work volumes. Every company goes through the profit plateau situation and normally survives it quite well. It is, however, a frightening experience, particularly where the economy and other conditions make the future of the organization less clear than desirable.

In the afternoon Mr. Newson and I visited several other jobs including the Calvary Assembly Church, Sledges, Larry's Food Station, the Bethlehem Church, the Church of God and the Ames Post Office upon which Mr. Newson's firm is the mason contractor. These jobs all exhibited a consistently fair to good standard of performance. Mr. Newson

was uniformly enthusiastic about all of them and in my opinion, sincerely loves and enjoys the construction business. However, he is also deeply and thoroughly involved in running these jobs in the field.

I had a long conversation with Mr. Newson about methods by which he can develop field sub-managers at the lead man or foreman level so he could focus more on managing their activities and allow them to direct the actual day to day field operations. His difficulty is in finding adequate field leaders. Mr. Newson is very social minded and has a high responsibility feeling for working with what he considers underprivileged individuals. As such, he takes a share of the problems each of these people faces on his own shoulders and as a result, oftentimes must compensate for their inadequacies by working harder himself or expecting others in his firm to work harder. Sometimes this is unfair to the other members of his labor force since occasionally they are forced to overwork to make up for under-work on another's part. Mr. Newson must find a way of effectively directing day to day operational activities without having to personally be there supervising the work. Of all of the problems he presently faces, this is one of the most critical at this point in time.

Later in the afternoon, after our tour of additional buildings, I demonstrated the method of constructing a business model by asking questions of Mr. Newson and Mr. Fior to stimulate their short and medium range thinking. The first question was What business are you in? The answer was that they are in the business of construction, both as sub-contractors and general contractors. However, it was also apparent that they presently think of themselves basically as flat work, masonry, footings, foundations and rough carpentry contractors that provide labor services on jobs either directly to their clients or as sub-contractors of other building organizations.

Mr. Newson would like to go into more general contracting but recognizes the problems inherent in such a move. Therefore, he is cautious about over-extending himself and prefers to build from a position of small contractor strength.

The second question was What is my place in the industry? And here, the answer was that presently they are providing skilled and unskilled labor as brokers. This discussion led to an informal critique of the present superintendent potential within the company. Mr. Newson recognizes that his present staff offers very little potential although two of the people who presently work as masons were at one time possible lead people and foremen. However, the company is cautious to make moves of this type since they are relatively permanent once

announced. It is apparent that Mr Newson will have to develop a second level of management to handle his field operation sometime in the near future if he is to continue to grow. This part of the discussion was merely a continuation of the previous review of managerial levels, span of control and delegation.

As part of this discussion, we again reviewed the profit plateau concept and I explained in detail to Mr Newson how profits flatten out or decline when levels of management are added to the company as it grows larger.

The third question was What customers am I serving? Here, Mr. Newson replied that he prefers to work either directly with owners or as a sub of good general contractors. These are the two major opportunities open at present with perhaps the direct employment by owners being the more desirable situation. In employment directly by owners, as a rule the cash flow to the contractor is approximately three to five weeks earlier than when working as a sub-contractor of a general. Much of Mr. Newson's present work is for owners and he intends to continue working on this basis.

The next two questions were: Where is my market? and What is my company image to my customers? Here, we carried on some general conversation and decided that probably the Omaha area and its immediate environs was the market area of the company and that the real company image is one of a hard-working minority contractor anxious to do well in business. A clearer definition of market area would be appropriate for Mr. Newson to review in the near future.

The sixth question was What business do I want to be in five years from now? Since this was an unstructured review of Mr. Newson's long range plans, the discussion on this point ranged far and wide. Basically he would like to continue working in construction as a well respected firm, doing much the same kind of work he is now, only more of it, more effectively with perhaps an improvement in the quality and volume of his general contracting. In subsequent meetings, if appropriate, we can go into this matter of long range planning in more detail. Presently the concern with immediate and short range problems is too great to allow current heavy focusing on the long range outlook.

During these discussions, as at other times during our two day conference, Mr. Newson exhibited that he has a good balance of attitudes, is a good learner, has a desire to work hard and wants quality workmanship in his future operations. These are good qualifications for continued success

as a contractor. Again, of prime importance is improvement of managerial action and along with this, the development of better marketing activities than presently exist in the Newson organization.

In our talk about future planning, we discussed the relation of profit to improved control systems. I pointed out how important the matter of control and record keeping was to maintaining a profit position. We also further discussed contract characteristics. Mr. Newson recognizes that he must improve his scope of work definition and contract preparation performance to avoid being forced to do work that he had not agreed originally to include in the scope. Contract writing is very important and I strongly suggest that Mr. Newson focus with Mr. Flor on carefully defining the full scope of work on every project in writing prior to undertaking the work.

We also debated other related construction businesses, such as the metal building industry. However, at this time, it is of greater importance to focus on the immediate future and to leave these kinds of longer range planning for a future date when immediate problems are better in hand.

To close out the first day's meeting we went over the business picture for 1972, 73 and 74, including a review of gross billings, total contract amounts, number of contracts and the job range from largest to smallest. This brief analysis indicated that there is the beginning of a rather healthy business growth trend with Newson that if continued, can be profitable. However, it is critical to remember that the need still exists for improved management, improved delegation and improved record keeping.

Friday, November 1, 1974

Early in the morning Mr. Yelich of the SBA came to the office to discuss a new project considerable distance from Omaha that might be appropriate for Mr. Newson's consideration. Mr. Yelich very carefully described the project and we took the opportunity to analyze (or profile) the desirability of Mr. Newson's organization becoming involved in this job. Essentially it was an excellent business problem and during the analysis Mr. Yelich and I were able to review with Mr. Flor and Mr. Newson several considerations that should be an integral part of each contract consideration. A decision on the program was left for future disposition, although some of the decisions were made during our discussion.

Next, Mr. Flor, Mr. Newson and I visited UCAN headquarters and spent a very interesting hour or so with Mr. Epps, Executive Director of UCAN. Our basic discussion revolved around bonding, generating working capital and establishing a screening process by which competent minority contractors could be recognized and recommended. The discussion was in considerable detail and is not necessarily appropriate to record here. However, the meeting did serve to emphasize several points to Mr. Newson that had been covered above. This is particularly the case relative to improved management delegation and record keeping. UCAN apparently strives to encourage their members to manage better and to keep good written records.

Upon our return to the Newson office, we again discussed general business matters and isolated some of the business practices that the company now pursues that could be improved. Then, with Mr. Flor I went into detail regarding the basic structure within which the Newson organization might wish to consider growing. We first listed all the functions that a company such as Mr. Newson's might do now and in the near future. These activities included:

- Estimating
- Stenographic work
- Receptionist work
- Mailing
- Filing
- Expediting
- Marketing
- Yard operation
- Shop operation
- Purchasing
- Field supervision
- Field labor
- Legal
- Executive direction
- Accounting
- Training and education
- Financing (long and short term)
- Minor design

These are listed at random and are not necessarily a complete tabulation of all activities. Using them we broke the company function into seven major groups -

- Office technical
- Office administration
- Cost accounting
- Marketing
- Executive
- Yard and shop
- Field

We then examined the functions that could fall under the direction of Mr. Newson and those that might appropriately be a part of Mr. Flor's responsibilities. This portion of the conference was basically designed to display to both Mr. Flor and Mr. Newson the fundamental structure they might wish to expand to in the future, using their present activities as a base. Here, again, I believe that further use of this particular structuring technique would be appropriate in subsequent meetings with Mr. Newson and Mr. Flor.

Considerable time was spent examining this company structure situation and after being joined again full time by Mr. Newson, we selected two or three specific activities to discuss in detail. One of these was the matter of marketing. I recommended that the Newson Company obtain up to date calling cards for Mr. Newson and Mr. Flor. I also recommended that consideration be given to preparing a small inexpensive offset brochure that would list some of the more significant projects accompanied by pictures and a description of the job. For instance, such a brochure might contain:

- Job name and picture
- Owner's name
- Location
- Brief job description with cost if possible and appropriate
- Outstanding features of each job

It would be good to select two or three outstanding jobs for a special writeup in the brochure if room would permit. We actually went through such a writeup on the addition to Larry's Food Station. Mr. Flor and Mr. Newson took notes on this and will give it consideration.

I wish to stress here that the brochure should be a relatively modest document designed to introduce the company to its clients. Brochure costs can get out of hand quickly and at this point in time, it is not desirable for the firm to expend large amounts of money in producing an elaborate document.

We continued our discussions at random, talking about job numbering systems and it was suggested that job numbers be assigned to every project as it comes in for estimating. Thus, if a consecutive system was used, the suffix E could be appended to all work and time spent in the estimating process. Once the job is obtained, the suffix could be dropped to identify the contracted job. If the job was not obtained, it would carry the suffix E into the filing system. This would give an easy reference method for keeping track of all jobs from the time they enter the office until they were cleared out of the office either as real jobs or as lost jobs.

I urged that Mr. Flor and Mr. Newson carefully watch their estimating process and the kinds of jobs that they engage upon. It was pointed out that a minimal estimate, no matter how small the job, probably costs from \$100 to \$150 minimum. Therefore, all jobs that are to be estimated should be considered real projects and if there isn't an excellent chance of getting the job, then it should not be proposed upon. Estimating time is valuable and it consumes both estimating and executive managerial time to prepare and present a proposal.

We reviewed time record keeping and I looked over the present method Newson uses in keeping time cards. It appeared to be a simple, workable scheme but it must be accurately maintained to be of help.

To close out the conference, we recapped the material that had been discussed over the two day period and further touched on the matter of training. Mr. Newson is interested in training efforts and said that UCAN has in the past presented training classes for construction managers and workers. I urge that he encourage this to be continued so as to bring the benefits of new techniques and ideas to the membership of UCAN. We also again went over the matter of keeping tight control on overhead through good records so as to project costs and desired business improvements. This is of prime importance and I believe that both Mr. Newson and Mr. Flor are now well aware of the need for such documentation.

Before leaving Omaha I spent about an hour with Mr. Yelich reviewing the results of the two days of conferences. Overall I conveyed to him my impressions that the Newson Company was presently a viable, small specialty contracting company with good potential for continued improvement. Their major weaknesses are within the managerial structure, the delegation process and the control of overhead, all of which are not unique to any small contracting firm. However,

with continued attention and help, along with a favorable economy, I believe the Newson Company has an excellent future in the construction industry.

I recommend that a followup conference of probably two days be held sometime early in 1975.

In closing I wish to thank Mr. Fred Newson, Mr. John Flor, and the staff at SBA, Mr. Frank Yelich and Mr. Gerald Kleber for their assistance in this brief conference and analysis. The information they gave was extremely helpful and I sincerely hope that the meetings will be of benefit to Newson Construction and all of those with whom they do business.

Ralph J. Stephenson, P.E.

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RALPH J. STEPHENSON, P. E.
CONSULTING ENGINEER

November 14, 1974

Interim Summary Report

(Note: A detail report will follow)

**Business and Technical Consulting with
Newson Construction Company, Inc.
4121 North 27th Street
Omaha, Nebraska 68111**

Dates of Conference Visit: October 31 and November 1, 1974

**For: Small Business Administration
Omaha, Nebraska**

**Through: Lawrence-Leiter & Company
Kansas City, Missouri**

Attention: Mr. David R. Bywaters, CMC

**By: Ralph J. Stephenson, P. E., Consulting Engineer
Detroit, Michigan**

Purpose of Assignment:

To confer with and advise Mr. Fred Newson and his staff regarding their construction and administrative operations. Mr. Newson is a minority general contractor operating in the Omaha metropolitan area. He has achieved a good reputation in construction of flat work (concrete, sidewalks, drives and slabs) masonry and in small excavation work. Mr. Newson's volume has reached a growth rate that demands he spend more time planning and managing the activities of others who then directly supervise the work.

My primary assignment was to analyze the degree to which Mr. Newson has progressed, his needs for continued improvement and the degree to which he is now qualified for additional small business administration assistance under their several aid programs.

Procedure:

The two days were spent in traveling Mr. Newson's various in-work and completed projects while discussing these jobs, his business approach, his construction philosophy and his company problems, strengths, weaknesses and opportunities. Participating in most of these discussions was Mr. John Flor who joined Mr. Newson in June 1974 as estimator and office manager. Many of our discussions were held en route to and from and at the job sites. However, we also spent several hours in Mr. Flor's office reviewing procedures and concepts of operating a successful small construction business. The conferences were basically unstructured and initiated by asking direct key questions regarding desires, problem areas, felt needs, business and personal attitudes and of course, goals and desires for the future.

General Summary of Findings:

Mr. Newson is, in my opinion, a competent, diligent, hard-working, straight construction man. He is action oriented and like many persons with similar backgrounds, is far more interested in working with his hands and being a doer than in managing others to accomplish these things for him. Being a relatively young man, 37 years old, and having good mental flexibility, he is capable, however, of changing. The difficulty to date though has been that no one has been able to interest him in managing or convince him that he must begin learning and practicing management. I believe the two days spent with him, particularly those meetings participated in by Mr. Flor and others, gave Mr. Newson serious cause for reflecting on the need for him to take a better managerial stance.

Mr. Newson personally has an excellent grasp of his strongest market, excavation, concrete and masonry. He is properly conservative and somewhat reluctant to enter any field of construction for which he does not have full capabilities. Thus, the present and immediate future market in which both he and I feel he should focus upon is flat work and masonry general contract and subcontract work ranging from \$1,000 to \$125,000. He also would like to concentrate on general contracting work in all trades on jobs up to or

General Summary of Findings: (continued)

slightly beyond his present bonding capacity of \$100,000. By doing this size and kind of job aggressively and well, while learning the delegation and management process, Mr. Newson should in one to three years have generated the ability to handle work two and three times this size. The critical element presently is to keep volume and profitability up on work which he can do well so as to pay for the increased overhead generated by:

- 1) the addition of Mr. Flor to his staff
- 2) the need for additional secretarial and administrative assistance
- 3) the training and education of field lead men and foremen to allow Mr. Newson to manage.
- 4) for increased equipment expense required for better office to field communication.

Mr. Newson is presently on a profit plateau caused by increasing fixed overhead draining the profits normally experienced by an increase in volume. Once the fixed overhead nut is cracked, the volume increase should reflect itself in increased financial profitability.

Summarizing my attitudes toward Mr. Newson's capabilities, I would say that he is presently well equipped and in the future, should be even better equipped to handle both specialty contract and subcontract work, as well as limited complexity general contract work where he is responsible for all trades. He should stay close to his bondable limits, particularly in general contracting. However, I strongly urge that he adopt a stance that on private work, being bondable he should require no bond. This will reflect itself in a saving to his clients and allow his limited bonding capacity to be used elsewhere.

Ralph J. Stephenson, P. E.

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cc - Mr. Gerald Kleber