

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

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January 24, 1981

Mr. Sam Bloom  
President  
Sam Bloom Plumbers, Inc.  
900 N.W. 144th Street  
Miami, Florida 33168

Dear Mr. Bloom:

Over the next three or four weeks I shall be sending to you in periodic mailings an assembly and summary of observations that were made on my short visit to your company in December, 1980. These preliminary reports will center on the business model depicted on sheet C-8 of the handout notebook distributed at the various education sessions held during that trip.

This ongoing observation phase material is preliminary and subject to further detailed discussion and confirmation before it is to be used in any substantive form as a part of the Sam Bloom Plumbers Inc. company plan. Therefore, I would appreciate, if prior to my next visit in February, 1981, you and whomever else you feel should be involved would review the material and begin formulating answers to the questions shown on sheet C-7 of the management handout notebook. As you recall these are questions to be answered so that objectives can be more authentically set in the modeling process.

I recognize it is nearly impossible to answer all twenty of those questions in detail since many are complex and require great study. However, of prime importance at our next session will be considerations of questions #1, #2, #3, #4, #6, #7, #8 (very important), #9, #14, #15, #16, #18 and #19. A copy of both the business model on sheet C-8 and the questions on C-7 are enclosed for ease of reference.

I am putting the first edition of my observations in a blue Duotang binder so that as the remaining material is received you will have a convenient folder in which to bind it.

Meanwhile, I'm looking forward to seeing you in February and will be in touch shortly to final set the dates and agenda. As we spoke on the telephone the other day,

Mr. Sam Bloom  
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RALPH J. STEPHENSON, P. E.  
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I shall tentatively plan to meet with you on February 26 and 27, 1981, Thursday and Friday, for continuing discussions of how to best improve operations and plan for the future of Sam Bloom Plumbers, Inc. The session probably will require your participation along with that of whomever else in the company is and will be responsible for setting operational and organizational policy. I presume Ron will play an important role in our meetings. I am looking forward to the sessions and hope your business efforts are bringing new and exciting work to the company.

Sincerely yours,

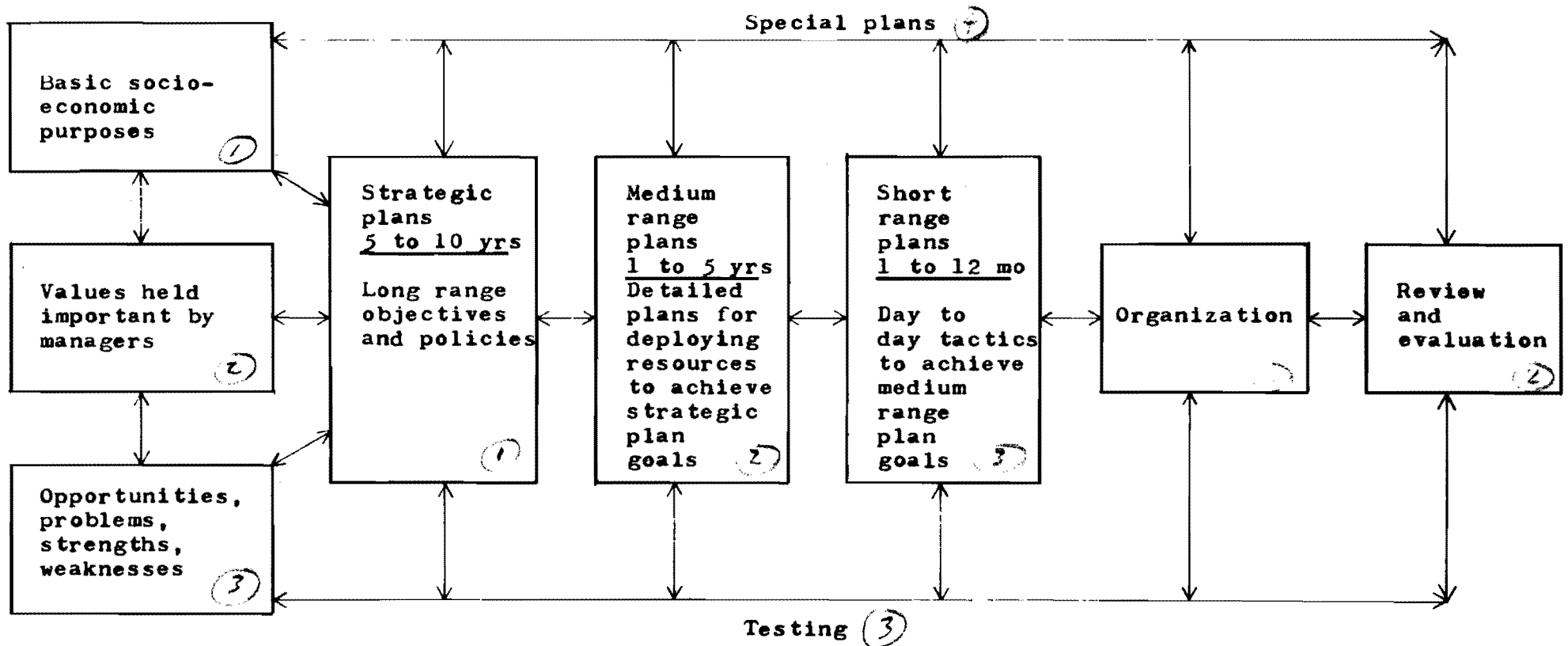
Ralph J. Stephenson, P.E.

RJS:sps

Enclosures (2)

A SIMPLIFIED MODEL OF ANY BUSINESS

Adapted from George A. Steiner..Top Management Planning



THESE ARE THE PREMISES FROM WHICH YOUR BUSINESS DERIVES ITS CHARACTER

(A)

THESE ARE THE PLANS WHICH SHOW HOW RESOURCES, TACTICS AND STRATEGY ARE USED TO ACHIEVE YOUR BUSINESS OBJECTIVES

(B)

THESE ARE THE IMPLEMENTATION AND REVIEW METHODS THAT TRANSLATE YOUR PLANS INTO ACTION

(C)

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QUESTIONS OF HELP IN SETTING OBJECTIVES FOR BUSINESS MODEL

- ①. What business are we in?
- ②. What is our principal product or service?
- ③. What market do we serve?
- ④. What common qualities define our customers?
5. What is our predominant image with clients?
- ⑥. What is our major competitive edge over others in our business?
- ⑦. Where are we at a disadvantage in comparison to our competitors?
- ⑧. What business do we want to be in 5 years from now?
- ⑨. What major changes will we need to make to get there?
10. What is our present return on investment?
11. What return on investment is reasonable for persons in our kind of business?
12. What share of market do we now have?
13. What share of market do we want next month?      Next year?
- ⑭. What is the major strength of our organization?      How are we using it?
- ⑮. What is our major organizational weakness?
- ⑯. How can we solve it?
17. What are our specific goals for profit improvement?
- ⑰. In what ways do our personnel policies chafe our employees?
- ⑱. To what degree can we count on our key people?
20. How can we finance growth?

The above are habit forming questions designed to force you to look ahead.

RALPH J. STEPHENSON, P. E.  
CONSULTING ENGINEER

Draft #1 of Management Analysis  
and  
Business Model for Sam Bloom Plumbers, Inc.  
Miami, Florida

Prepared by Ralph J. Stephenson, P.E.  
Consultant, Detroit, Michigan

January 24, 1981

## Part I

RALPH J. STEPHENSON, P. E.  
CONSULTING ENGINEER

### INTRODUCTION

Sam Bloom Plumbers, Inc. is a mechanical contracting firm with a long, solid history of successful performance. It is a company that has gone through the enjoyment, success, trials, difficulties, ups and downs that most successful business organizations experience in the tempering fires of our competitive free enterprise system. Like many companies of its type, it experiences, from time to time, temporary dysfunctions which make it necessary to examine the various modes of actions practiced by the firm, and change some of these modes by creating new and more profitable direction as demanded by circumstances. The time has come for Sam Bloom Plumbers to make a studied evaluation of its present practices and to take a look ahead at future possibilities to insure that the company remains healthy and survives by doing business it wishes to be engaged upon in a manner that is profitable and fulfilling.

In addition, there are many current methods, techniques, and thinking patterns used in most successful companies to help the staff and management do a better job. Usually these methods and techniques are learned internally with occasional refreshment by injection of new ideas from the outside. Recognition of a need to both re-examine short and long range plans and to provide staff updating in certain mental and physical skills has led to the initiation of this study.

On December 4, 5, and 6, 1980 I met with personnel of Sam Bloom Plumbers, Inc. in Miami and began an initial review of the work that was my professional assignment. The agenda for those three days is reviewed below for reference:

#### Thursday, December 4, 1980

- Breakfast with Mr. Sam Bloom and Mr. Ron Bloom
- Tour of Biscayne Cove project with Mr. Frank Egler, general foreman and Mr. Ron Bloom
- Tour of Winston project with Mr. Bob Perry, general foreman and Mr. Ron Bloom
- Tour of Nine Island project with Mr. Angelo Miranda, general foreman and Mr. Ron Bloom
- Lunch with Mr. Sam Bloom and Mr. Ron Bloom

- Personal discussion with Mr. Angelo Miranda at site re views on operational improvements that could be made
- Personal interview with Mr. Bob Perry re Sam Bloom Plumbers, Inc. and company improvement
- Personal interview with Mr. Frank Egler re Sam Bloom Plumbers, Inc. re future strengthening and improvement of company

Friday, December 5, 1980 a.m.

- Presented summary management seminar to executive members of Sam Bloom Plumbers, Inc. Those attending included Mr. Sam Bloom, Mr. Ron Bloom, Mr. Bud Gray, Mrs. Bernice Bloom, Mrs. Bonnie Hullman, Mr. Carl Rubin, and Mr. Norman Shapiro

Friday, December 5, 1980 p.m.

- Held management symposium and seminar with key shop and field staff. Attending were Mr. Ron Bloom, Mr. Bob Perry, Mr. Angelo Miranda, Mr. Mike Shaw, Mr. Frank Egler, Mr. Bud Gray. Mr. Sam Bloom attended portions of the session.

Saturday, December 6, 1980 a.m.

- Had breakfast with Mr. Sam Bloom
- Held management seminar for key foremen and general foremen at shop. Attendance was voluntary. About 15 people were present.

Saturday, December 6, 1980 p.m.

- Had lunch with Mr. Ron Bloom
- Mr. Sam Bloom drove me to airport. Had brief discussions re trip and observations.

The three days of meetings and interviews with Sam Bloom Plumbers, Inc. was designed to accomplish several purposes:

1. To allow me to become familiar with key personnel in the company.
2. To demonstrate to the company by my presence and involvement that Mr. Bloom and the management of the company are

interested in its future, and thus by inference,  
interested in the future of key employees of the company.

3. To allow both upper, middle, and lower management employees to briefly express to me their views upon how the company might best grow in the future.
4. To permit an evaluation to be made by me of the more difficult problem areas in the company by talking to a variety of managerial staff at all levels.
5. To begin a training and education program in managerial skills needed in the work practices of Sam Bloom Plumbers, Inc.
6. To permit by participation in these seminars, an evaluation by me as to what technical and managerial skills must be strengthened in the company.
7. To begin determining how best to maintain management continuity at all levels of the company but particularly at the top.
8. To provide an opportunity to inspect typical projects of the company and to observe the existing interrelationships between the office, the shop and yard, and the field.
9. To convey to the middle and top management staff of Sam Bloom Plumbers, Inc. what directions they should be thinking in, so a proper business model can be prepared over the next few months.
10. To provide, as will be needed, a proper foundation for ongoing study leading to continuous improvement in the profitability and successful practice by the company.
11. To provide a handout notebook to each of the key members of the company management so as to give a constant reference point for future discussions and technical and management training with the staff. Thirteen of these books were distributed and the handout pages were numbered for ease of present and future reference.

The basic management tool that I plan to use in my work with the firm is the business model shown on page C-8 of the management notebook distributed to the staff members as noted in #11 above. (Three copies of this model are enclosed with this letter). The model contains several elements briefly defined below and covered in greater



detail on pages C-9, C-10, C-11, and C-12 of the management notebook. In my work with the model I have found it generally best and most productive to work from the top down and from the left to the right. That is, to start out by defining the basic socio-economic purposes and then generate the remaining premises after which definition of objectives, establishment of the organizational structure and preparation and implementation of a review and evaluation system can follow. Then, of course, the entire plan is subjected to a constant testing process.

Thus, starting in the upper left hand corner of the model and proceeding down and to the right, following are short summary definitions of each element of the plan:

Section A - Premises: The premises upon which your business is built are perhaps the most important elements of any successful enterprise. There must be a reason for corporate existence, there must be an identifiable value system shared by the staff of the company and displayed to its clients and customers, and the strong and weak characteristics of the company and each individual in it must be understood as important features of every firm's operations. Therefore, in Section A - Premises there are three sub-groupings used.

1. Basic socio-economic purposes....

Statements which reflect the obligation company management feels it has to society and the corresponding return on this investment that management expects from that society. These purposes identify your justification for being in business.

2. Values held important by employees and managers....

Values displayed by company individuals paint a picture of their organization's attitudes. These ultimately are reflected in an appreciation of that same trait in those with whom the company must deal.

3. Opportunities, problems, strengths, and weaknesses....

These four elements must be identified and objectively analyzed if any company is to prosper and grow. Opportunities are chances converted to good luck. Strengths allow good opportunities to become profitable realities. Problems are deviations from accepted performance levels that are causing trouble. Weaknesses are characteristics that detract from being able to effectively solve problems.

Section B - Plans: Plans define where you want to go and how available resources, tactics, and strategy can help achieve these objectives. The purpose of planning is to set goals that can be achieved. Occasionally the wise executive will set goals that appear to be impossible of achievement, but these should be fundamentally used to stimulate occasional exceptional performance. Overstatement of goals can produce frustration and business dysfunctions.

There are three basic planning periods used in the business model:

1. Strategic plans covering a period from 5 to 10 years in the future. These consist of statements of long range objectives and policies that currently appear valid to achieve.
2. Medium range plans covering a period of 1 to 5 years in the future. These detail methods for deploying resources to achieve ultimate strategic plan objectives.
3. Short range plans from 1 to 12 months. These are the day to day tactics which help achieve progress toward medium range plan objectives.

Section C - Implementation and Review: The implementation and review portions of the model define methods by which you wish to translate plans into actions. They consist of four sections through which the doing process of management is accomplished.

1. Organization - Organizing resources available is a critical part of successfully implementing any plan of action. The organization should be used as a support tool underneath the plans and defined objectives. Organization is to help achieve purposes, not to provide a superstructure over them.
2. Review and evaluation - Constant monitoring of company growth is just as essential as tracking cash flow on an individual project. Therefore, methods must be established in the implementation portion of the plan to insure that proper judgements can be made as the company moves toward ultimate implementation of the desired program of action. Review and implementation consists fundamentally of monitoring corporate progress.
3. Testing - Frequently as the company improves and grows it must simulate courses of managerial action by various means. Results of this testing process then is fed back into the premises, plans, and review and implementation processes to determine if they still are appropriate and proper.

4. Special plans concern assignments that are generally carried on outside of the usual organizational framework. They often are carried out by a task force which can be dissolved at completion of the assignment. For instance, location of a site and construction of a new home office building and yard for the company is an example of special plans.

With this brief discussion of the business model complete, we next should add to the model another business tool to assist in referencing the various items of the model. The following list is a group of functional categories I suggest we use as a starting point by which we can classify goals and objectives to be defined for Sam Bloom Plumbers, Inc. The items are defined by decimal codes and are shown here so we can review them for appropriateness prior to our next meeting.

<u>Suggested decimal code</u>	<u>Suggested major functional area</u>
00.00 - 00.99	Open category
01.00 - 01.99	Open category
02.00 - 02.99	Corporate affairs
03.00 - 03.99	Internal services
04.00 - 04.99	Fabrication facilities
05.00 - 05.99	Costing (estimating)
06.00 - 06.99	Engineering
07.00 - 07.99	Purchasing
08.00 - 08.99	Marketing
09.00 - 09.99	Yard facilities
10.00 - 10.99	Equipment
11.00 - 11.99	Training and education
12.00 - 12.99	Staffing and development
13.00 - 13.99	Employee relations
14.00 - 14.99	Labor relations
15.00 - 15.99	Organization

<u>Suggested decimal code</u>	<u>Suggested major functional area</u>
16.00 - 16.99	Legal
17.00 - 17.99	Collateral business development
18.00 - 18.99	Service operations
19.00 - 19.99	Safety
20.00 - 20.99	Branch operations
21.00 - 21.99	Public relations and advertising
22.00 - 22.99	Corporate planning
23.00 - 23.99	
24.00 - 24.99	
25.00 - 25.99	
26.00 - 26.99	
27.00 - 27.99	
28.00 - 28.99	
29.00 - 29.99	
30.00 - 30.99	

Using the above business model and coupling it to the summary observations I made on my brief initial visits permits a good starting point for identifying the premises and to setting the stage for establishment of long, medium, and short term goals and objectives. My observations on these matters are reviewed below. It should be understood that the observations are prepared and submitted now for further discussion. Obviously in the short amount of time I was able to spend with the company and its staff it would have been difficult to fully project and deduce from these meetings the full information needed for a comprehensive tabulation of characteristics. Nevertheless, those below offer a starting point for agreement, disagreement, or further evaluation.

Group A - Element 1 - Basic socio-economic purposes

No strong expression of socio-economic purpose emerged during my initial summary interviewing. I suspect, however, particularly among the principals of the company that there are some detailed beliefs about the role of the firm relative to society

and its place in the economic pattern. Being projective, (occasionally a dangerous frame of mind) it seems that the few items listed below might identify how I perceive how the company, particularly Sam Bloom himself, feels about the relation organization has to society:

1. It should provide employment opportunities to a range of ethnic groups.
2. Company activities should encourage family and employees to contribute time and energy in training at the apprentice and journeyman level in the plumbing and sprinkler fitting trades.
3. There is an underlying desire on the part of the family to achieve community (religious, ethnic, economic, trade, governmental) respect by their practice in the construction business.
4. To encourage and perpetuate trade union participation and mutual respect between tradesmen and company.
5. To be a vital and participating member of the local Miami society.
6. To encourage a stronger society by encouraging within the company strong family business affiliations.

It may or may not be important to further identify the feelings of the company management relative to its role in society. However, it is always important to insure that the services provided by the company are of benefit to society since it is only by providing such benefits that there is any desire by society to retain the company in existence as a business entity.

Group A - Element 2 - Values held important by employees and managers

Those values that I identified during my interviews and observations are summarized below in simple terse phrases. They perhaps are oversimplifications but provide as a collective statement, an insight into what the company and its staff think is important in their business. The list shows the stated values held important by those members of the staff with whom I spoke. The listing is in no significant order.

- Attitude is the key to success.
- Insistence on quality work.
- Pride in workmanship.

- High level of field independence
- Close guarding of individual work territories
- Low non-production expense
- Belief in good job pre-planning
- Moderately innovative
- Highly structured division of responsibilities
- Impatience with unmeshed supportive activities
- Understanding of need for controlled growth through excellent management
- Impatience with poor journeyman performance
- Moderately objective outlook
- Obtaining, maintaining, and enjoying a good professional and trade reputation
- Perception of the need for short, medium and long range goal establishment
- Desire for good internal and external communications
- Direct involvement with training and education within the industry
- Efficiency (effectiveness)
- Thoroughness
- Maintenance of a meaningful and enjoyable career
- A drive to be creative particularly in shop fabrication
- Need for occasional reinforcement that the job is being done properly
- Respect for monetary profit
- Maintenance of high level of job autonomy
- Belief in effectiveness of team effort
- Feeling that reimbursement should be equivalent to contribution
- Understanding of the need for variety in field operations

- Belief in effectiveness of creative problem solving
- Sense of community obligation
- Highly systems-oriented
- Belief in proper delegation of duties to effective subordinates
- Close tracking of physical job progress
- Desire for prompt resolution of problems and difficulties
- Maintenance of healthy project attitudes
- Need for constant challenge in work
- Well defined effective tested procedures critical to success
- Enjoyment of pleasant surprises (such as occasionally found in paycheck)
- Fairness and honesty
- Respect for individual organizational positions
- Strong drive to fight job stagnation
- Concern with change and its potential for damaging or enhancing current success
- Desire for steadying personal influences in company
- Desire for highly systematized work
- Belief that top management controls should be tightly held within family
- Strong drive by some managers to become deeply involved in outside activities
- Constant search for improvement
- Need for good and continuous education and training
- Field experience particularly at the journeyman and foreman level considered essential by management
- Curiosity

Although this list is by no means complete it begins to paint a picture of the firm and indicates the depth of feeling the management staff has about its professional work. An

overall reading of the components above does not as yet convey a clear picture about the company's overall value thrust. As a preliminary statement, however, it could be deduced from the above and from my personal observations that as a whole the company desires to maintain job autonomy, improve its position in the marketplace by increasingly systematizing its work, and to ultimately obtain its entire work load by quality negotiations with several selected, successful clients. As this form of business emerges, the company's most critical resource, excellent manpower, must be replenished by a constant involvement of the company staff in helping and assisting those responsible for training and education to improve their efforts.



Group A - Element 3 - Opportunities, strengths, problems, and weaknesses

Statements of opportunities, strengths, problems, and weaknesses represent individual opinions derived on a subjective basis from personal observation and from interpretations of stated or implied opinions of management principals and associates. All statements of opportunities, strengths, problems and weaknesses must be subjected to careful observation before they are considered of significance in preparing a business plan. With this in mind the statements below are presented at random as guidelines only. Also it should be understood that they are preliminary observations made during a brief period of time spent in interviewing company staff. These should be further analyzed and better confirmed before acceptance as providing a basis for short, medium, and long range planning for the company:

Opportunities and strengths

- An understanding by the field of the role the office can play in improving project profitability relative to support functions
- Staff generally presents itself well and from cross checking discussions is respected and trusted by clients
- Good comprehension of management-by-exception principles by field and management staff
- Understanding of need to match field turnover cycles in shop
- Field and shop staff innovative and creative in planning production
- High current work volume
- Have access to good field managers through staff referencing
- Shop enjoys good reputation in eyes of field staff
- Company attitude toward profit and timely delivery of projects is good
- Fabrication shop performs well
- Management responsiveness to need appreciated by field personnel (for instance, purchase of two-way radios was a big help in maintaining better job site communications)
- Understanding of importance and need for variety in the journeyman's work life. This diversity is one of the better ways of keeping good men.

- Some teaching staff members keeps other managers on toes
- Overall system particularly supportive activities well thought of by field staff.
- Excellent company participation in apprentice programs
- Field managers constantly developing staff backup capabilities
- Understanding of the importance of promotion and advancement by middle and top management
- Procedural systems being used now work well
- Cost control system presently in use has good potential for improvement
- Employees treated fairly by superiors (with some exceptions)
- Responsibilities and authority of people fairly well understood
- Staff has good appreciation and understanding of need for training and educational efforts.
- Reasonably competent and loyal field staff
- Past performance of company has been successful
- Understanding of importance of company and project diversification on a planned and progressive basis
- Healthy attitude toward ups and downs in work load by upper and middle management
- Top management generous when times are good
- Understanding of need to separate or divisionalize functional operations
- Field managers express noticeable loyalty
- Despite some disagreements, staff generally trusts each other
- Field forces at middle and upper middle levels get along well
- Understanding and tolerance of various management personalities by other managers
- Recognition by staff that all people are not alike

- Computer configuration used offers great opportunity for non-accounting functions. No present built in biases
- Management opportunities available for growing laterally and modularly
- Excellent opportunity to use standardization for improved marketing effort

-  
Problems and Weaknesses

- Trouble shooting on delivery problems need improvements
- Excessive tool disappearance to departing personnel
- Some tendency to ignore good inside ideas in favor of untested outside ideas
- Need exists to update and constantly review purchasing procedures
- Need exists to improve responsiveness (turnaround times) on field requests for supportive services
- Need exists for strong management and in tying together loose ends in administrative and supportive activity areas.
- Cross fertilization and exchange of ideas not as extensive as should be for company operational improvement
- Initial job setup procedures could be improved at both office and field levels
- Inadequate front end time allocated at beginning of job for project planning and startup of field work
- Inadequate response to field complaints of poor drawings
- Problems experienced in turning over facility at completion of work
- Project communication lines frequently bypassed, disconnected, or revised at expense of effectively conveying information to those who can act upon it. Timeliness is a most critical element of the construction profession.
- Job record keeping highly individualized in field managers with no consolidation of field project records on systematic basis.

- Some dissatisfaction with cost breakdown procedures and categories
- Difficulties in keeping good men due to unique wage structure in the Dade County area relative to surrounding areas
- Constantly declining quantity of union journeymen competent to do quality work as demanded by Bloom organization.
- Single job type and highly systematized operations sometimes produces field management and journeyman boredom
- Poor exchange of working problem solutions on jobs and within company
- Strong independent attitude by key field managers relative to office management
- Major strong point of company operations produces a single job type - Definite need to consider diversification
- Staff attitudes within company produces inviolable territories on job
- System of introducing new staff into firm could be improved
- Field cost feedback minimal (Note: This may be deliberate and if good reason for it exists the item could be washed out as a weakness).
- Some feeling that cost feedback to field managers not important nor desirable (is this is problem?)
- Apparent influence of office management on field management very small (could be good or bad)
- Office supportive functions insulated from field operations
- Some feeling that single type of project creates job stagnation for field managers
- Tendency to consider system so good that it should not be tampered with nor should improvements be attempted
- Some concern that company may be getting somewhat top heavy at office management levels
- Relatively small backlog
- Need for heavy workload to keep good men on payroll
- Implied and actual turmoil re operational management
- Marketing effort centralized in too few people

- Interaction of president directly with middle and lower managers sometimes creates conflicts and interferences not easily resolved.
- Duplication of decision making occasionally occurs in office
- Feelings that frequently responsibilities are given and performance expected without needed authority to carry out required activities
- Need for top executives to constantly evaluate their attitudes and outlooks relative to all sectors of the company
- Concern about management succession in company
- Tendency to plan on day to day basis rather than for longer term objectives. It should be understood that good planning must cover all periods from now to tomorrow, through now to several years ahead. This is the decision to action time span and a good company covers all time span bases in their planning efforts.
- Strict separation of disciplines (i.e., fire protection and plumbing) - This is probably a necessary separation but does create some potential job problems.
- No visible growth plans for company
- Some personality difficulties reported relative to working with office administrative staff
- Non-family company staff very observant and perceptive about in family difficulties
- Training and education program requires heavy strengthening
- Some managers very stubborn in attitudes
- Desire by some top managers to know everything that is going on. Produces difficulties in keeping such managers totally informed
- Inadequate utilization of computer capacity in non bookkeeping functions
- Need to develop added depth of performance in office staff

A strong word of caution is in order here - the above early identification of opportunities, strengths, problems and weaknesses is, in some cases, conjectural and projected from what would normally be considered inadequate evidence and very early observations. However, some are well founded, and I am

certain will prove to be real factors to be considered in strengthening the total company management over the long haul. Again, as with previous lists of characteristics it should be taken as a preliminary statement from which further discussion must spring on a studied and positive basis.

Those items observed as opportunities and strengths could very well, in some cases, be merely an avoidance of problems and weaknesses. The problems and weaknesses stated in some cases with very little attention could be turned around to become a positive and constructive force in the company's future management.

Also, it is important to understand that frequently there are good reasons why a problem or a weakness exists and why that problem or weakness cannot be solved or corrected within the present framework of the firm. In fact, a lack of problems and weaknesses would indicate that there may be no need to study the company and attempt to improve its performance. Therefore, to some extent the list of problems and weaknesses indicates the amount of improvement that can be expected by the perceptive manager interested in making his company a better organization and operating unit.

Further observation of the firm to verify and refine the above lists should be an ongoing part of the management study.

Group B - Element 1 - Strategic plan objectives (5 to 10 years)

Because no comprehensive discussions were possible at our first series of meetings about long range planning I have not attempted to suggest any that might be appropriate for discussion at this time. At our next session we should concentrate heavily on identifying desirable objectives at all three time levels but most particularly in the 5 to 10 year period. These strategic plans, as noted earlier, set goals for the company on a long range basis. The statements of long range objectives include the targets that currently appear valid. The entire intent of stating strategic plan and long range goals is not to create an inflexible situation that hinders making changes in the intervening period but is intended to hold up a target by which we can structure the other two sets of plans, medium and short range. Thus, as medium and short range plans are executed, their impact upon well defined strategic long range plans can be evaluated, recognized, and periodically incorporated into a revised strategic plan. So the long range goal statements we evolve in our discussions during the next session should represent starting points from which we can work backwards. They are destinations seen through a long time dimension telescope.

A long range plan can be compared to a statement of a youngster who in his childhood seeing a full moon said, "I want to fly there someday". His goal of flying to the moon may remain constant as he grows up, is educated, and becomes an astronaut if that is his chosen career. However, by the enrichment of his mind through experience and education he sees as he achieves his intermediate goals of high school graduation, college graduation, and then vocational training a need to alter this long range plan to encompass a far broader set of objectives than merely flying to the moon. He must decide as he learns and matures the many other things that are required to achieve what he has set as a target. Thus, strategic plans are subject to continuing test and review as medium and short range plans are achieved.

In identifying our plan groups, we should strive to do so by major functional areas as defined on pages 6 and 7 of the draft #1 model. This allows us to structure the goals and objectives so that we can work back with a tracer set of codes to see what early objective achievement contributes to gaining each long range objective.

Group B - Elements 2 and 3 - Medium and Short Range Plan Objectives (now to 5 years)

As with long range objectives, we have not yet formulated any identifiable short or medium range plan targets. These normally will be evolved out of the long range desires of management. Notice that for purposes of our early model we are combining the short and medium planning process since doing this allows an easier and more continuous thinking pattern to be used in establishing early goals and objectives of the company.

The medium range plan objectives are the specific objectives defining intermediate steps which influence achievement of strategic objectives. Short range plan objectives directly impact on medium range objectives since they are courses of action set into work almost immediately. We must be careful to remember that setting short term objectives without defining medium range results and their impacts upon long range objective achievement is a doubtful and somewhat dangerous process. Therefore, our efforts in establishing these short and medium range plan objectives should be to constantly test their worth in helping to achieve the long range goals and targets we will set for Sam Bloom Plumbers Inc.

RALPH J. STEPHENSON, P. E.  
CONSULTING ENGINEER

SECTION #2 of MANAGEMENT ANALYSIS  
AND  
BUSINESS MODEL FOR SAM BLOOM PLUMBERS, INC.

MIAMI, FLORIDA

Prepared by Ralph J. Stephenson, P.E.

Consultant, Detroit, Michigan

March 15, 1981



## INTRODUCTION

Section #2 of this management study follows the initial draft #1 dated January 24, 1981. In this report we carry on from the previous report and define specific areas in which improvement within the company can occur. For reference purposes, a brief outline agenda of activities during the two days on which we met, Thursday and Friday, February 26 and 27, 1981 is given below:

### Thursday, February 26, 1981

- Breakfast with Mr. Sam Bloom
- Review of material to be covered in sessions.
- Review of agenda decisions with Mr. Sam Bloom and Mr. Ron Bloom
- Lunch and discussion of agenda items with Mr. Ron Bloom
- Continuation of discussions and definition of specific objectives with Mr. Ron Bloom and Mr. Sam Bloom

### Friday, February 27, 1981

- Breakfast with Mr. Sam Bloom and Mr. Ron Bloom
- Detailed discussion with Mr. Ron Bloom and Mr. Sam Bloom of middle management staff problems to be resolved
- Detailed review of problems and weaknesses analysis in initial draft #1 with Mr. Ron Bloom
- Definition of specific goal program for Mr. Ron Bloom over the coming one year period.
- Visited Biscayne Cove topping out party with Mr. Ron Bloom
- Reviewed program of Ron Bloom management activity for coming year with Mr. Sam Bloom and Mr. Ron Bloom.

### General Summary

This report will discuss the items covered in the various meetings in sequence and consider that as required at a later date the material will be abstracted and put into a subject format more suitable to the business model form. However, a chronological review of the material covered will be easier to reference at this point and provide good continuity of thought since it follows the pattern of our discussions.

At our initial meeting on Thursday, February 26, 1981 Sam Bloom and I set up a series of topics that might be most appropriate for discussions. These were (in random order):

- Marketing
- Succession
- Office management
- Cross fertilization
- Middle management moves
- Diversification
- Family involvement
- Bidding procedures
- Shop improvement
- Market competitiveness

From this list it was decided that we would concentrate on six fundamental topics for our initial discussions. These were in priority order:

1. Succession
2. Marketing
3. Diversification
4. Mid-management moves
5. Office management
6. Cross fertilization

After breakfast, Ron Bloom joined us at the office, and we began our detailed discussions for the first day. Sam Bloom reviewed the cash position history of the company and explained the various cyclical swings that have proven healthy or unhealthy for the company. Presently, he feels that Sam Bloom Plumbers, Inc. is in an unhealthy cyclical cash position and recognizes a strong need to make a business move soon. The major thrust has to be to get several projects into the office and in work in the field as soon as possible. We decided to discuss this in more depth under the marketing topic to be covered after we had reviewed the subject of succession.

We also briefly touched upon diversification as a part of the need to take a business action soon but again deferred the major discussion of diversification until later in its proper priority position.

Succession

Succession is difficult to be objective about since it concerns people, usually top management people, their family, and their very personal feelings about the business that they are in. However, in a company such as Sam Bloom Plumbers Inc. which has strong family ties and is so closely identified with the total family group it is imperative that the matter of succession be addressed in a logical and intelligent manner. Some of the observations below may be a bit uncomfortable, but my role as a consultant to the Bloom business demands that I attempt to honestly identify and consider all possible alternatives.

I started the discussion by asking Ron Bloom what it was he desired to ultimately achieve within the company. The response consisted of his statements that:

- He would ultimately like to be president of Sam Bloom Plumbers, Inc.
- He doesn't feel that he is totally equipped to do that job yet.
- That he does have a good feeling for the estimating process and what has to happen for the office to run smoothly.
- That there do have to be business improvements of which he must be a part for the company to continue in business successfully.

The objectives of Ron Bloom are fairly straightforward but there are some problems with achieving the succession objectives he desires. This is a common difficulty where in an organization the objectives of the company and of the various people involved do not totally coincide. Thus, what we are faced with here is a resolution of the various business and personal objectives of every one concerned along with those of the corporate entity so that we can proceed to improve the Sam Bloom Plumbers Inc. strength in the marketplace.

Some of the thoughts that emerged from our discussions regarding how Ron Bloom can equip himself for doing what he wishes to do relative to his position in the company are given in random order below:

- Ron Bloom has a very good relationship with the general contractors on his jobs. This is important to the current office and field activities of Sam Bloom Plumbers as well as being an essential ingredient in a successful future marketing program.
- Sam Bloom is the fundamental contact with the owner on most projects. Ron Bloom is usually acquainted with the owner but the basic relationship is maintained by Sam Bloom.

- Ron Bloom tends to procrastinate. There is some fuzziness as to whether this is a problem or merely an annoyance. In any event, procrastination particularly in the construction industry can sometimes spell the difference between success and failure, getting a job or losing it. Thus, this is a personal characteristic that Mr. Ron Bloom must and should address within himself.
- There is sometimes a tense relation between Sam Bloom and Ron Bloom for many complex reasons. The basic difficulty with which I must cope in my management analysis, however, deals with a need for both Ron Bloom and Sam Bloom to feel more comfortable in the division of their activities. It must be realized that within the office there are three master plumbers - Sam Bloom, Ron Bloom, and Bud Gray. Each has their own style, personality and ideas, the nature of which sometimes blocks out an understanding of the good ideas and concepts that one of the others might have. There is a need for a tempering and truly patient climate within the office which can be helped along by more explicit assignment of responsibilities and follow up to insure that the work is done properly and with fewer confrontations.
- There appears to be frequent duplication of assigned activity by more than one person; or even worse occasionally something left undone because someone else thought that another party was taking care of it. Trite as it might sound, this is a communication problem, and it can be partially resolved by better, more clear cut assignments and instructions along with agreement as to what each individual in the office is to do.
- Each person at Sam Bloom Plumbers moves in their own world of intensity. This degree of intensity is sometimes apparent, sometimes not. The three major management men at Sam Bloom Plumbers, Inc. vary enormously in the way they express their concern. There must be better efforts than at present to resolve these intensities into a more cohesive and better operating group. In other words, instead of producing unresolvable conflicts the intenseness that each individual has should be combined (synergized) to make a total effort more valuable than the worth of each individual part.

After our basic discussion we next displayed the succession alternatives graphically. This was done on a decision tree which was part of 15 flip charts prepared during our two day session. This decision tree should be studied carefully by both Sam Bloom and Ron Bloom so there is a clear understanding of the alternatives available. Successful succession in the Sam Bloom Plumbers organization will depend upon a skillful merging of all of the talents available while still recognizing

the basic differences in the personal makeup of those involved, and continuously strengthening and encouraging a relationship that allows each individual to work to his full talent and capacity.

Marketing

Marketing was the #2 discussion priority although the topic tended to creep into all other discussions because it is a basic need of Sam Bloom Plumbers Inc. now and in the future. Presently work is obtained by careful cultivation of prospective owners, developers, and general contractors who are apt to be involved in constructing high rise residential facilities. Once the project has surfaced Sam Bloom Plumbers usually follows it carefully, providing plumbing information and costing as needed usually resulting in a hard money price ultimately being submitted to the owner, developer, or general contractor. Following this submission there usually is a negotiating period, and the company has been very successful in obtaining projects in this final negotiating period.

The nature of this type of marketing effort is healthy provided certain things are occurring. First, there must be a heavy workload in the high rise residential construction field. Next, Sam Bloom Plumbers Inc. must be equipped to fabricate and install economically through the use of innovative systems used both in the field and in the shop. Third, a good to excellent relationship must be maintained at all times with owners, developers, and general contractors so that this relationship can be used as a position of trust to gain extra advantage if there is heavy price competition. And, of course, above all it is essential if we are to get future work that the company perform excellently once the job is obtained.

We made a brief review of the projects available to Sam Bloom Plumbers that are coming up in the near future. These are tabulated below with the estimated times by which they will come on line along with a rough estimate of the fire protection and plumbing work cost:

<u>Project Name</u>	<u>Will Start in About</u>	<u>Approximate Volume</u>
The Terraces of Turnberry	3 months	\$7 million
North site (bid to owner)	6 months	\$2.5 million
Villa Regina (bid to general)	1 month	\$2.5 million
Richeleau Towers (bid to owner)	3 months	\$1 million

<u>Project Name</u>	<u>Will Start in About</u>	<u>Approximate Volume</u>
Baypointe Place (bid to owner)	5 months	\$2.5 million
Grandview (bid to owner)	2 months	\$1.5 million
Venetian Harbor	1 month	\$1.75 million
Imperial (bid to general)	1 month	\$1.5 million
Tiffany (bid to general)	4 months	\$2.5 million
Key Biscayne (bid to owner)	9 months	\$12 million
Plaza Venetian II (bid to general and owner)	8 months	\$ 7 million

Plotting these potential projects against the current backlog of the company indicates that the months of March and April, 1981 will be extremely critical since it is then that the present backlog will be such that additional work must be available to maintain the staff at its present size and effectiveness. Then too it takes some time for these projects to get under way and although there is some early work involved for the plumbing contractor usually his major volume depends upon the structural frame being up several floors.

The discussion of marketing led to the third priority subject, diversification.

### Diversification

There is considerable reluctance by Sam Bloom Plumbers to diversify. However, I listed on the flip charts the various considerations which we must be thinking of in the matter of diversification. These charts were left with Mr. Sam Bloom and so my review here will be brief since the essential information is contained on the charts.

Opposition to diversifying comes from many directions and much of it is based upon sound business judgement combined with experience, intuition, and subjective desire. Nevertheless, I believe it is critical that both Sam Bloom and Ron Bloom consider on an ongoing basis the matter of diversifying into related work areas. Diversification can be in many directions. For instance, presently the company is engaged in installing plumbing and fire protection work in high rise residential

buildings being constructed in a very small geographic area of Miami. Diversification could come about in either in an increase in the number of services offered, i.e. HVAC, refrigeration servicing, electrical contracting, process piping, or any of the others that were identified on the flip charts. Or diversification could come about through expanding to installation of plumbing and fire protection in other kinds of buildings such as institutional, commercial, or different kinds of residential. Admittedly, the types of projects built in the Miami area are limited and undoubtedly the narrowed choice of Sam Bloom Plumbers has been in part due to the small number of alternatives available.

This brings us to our third method of diversifying, by geography. Geographic diversification merely means that the firm's activity is expanded beyond the present marketplace which, as noted above, is a very small segment of the Miami urban complex. Geographic diversification can be to other parts of southern Florida, other parts of Florida, nationally, or even internationally. I am not a strong advocate of intensive geographic expansion unless the marketplace has already appeared and you have been involved with it. However, this does not mean that in difficult times where the local market has become unproductive a careful cultivation of a distant marketplace is totally inappropriate.

Thus, with these three basic dimensions of diversification - 1) type of contractual activity, 2) type of construction, 3) location of operation - it should be possible to plan a program of diversification as desired that matches the needs of the company and its staff. In addition to providing a potentially more stable and constant workload, diversification also would tend to:

- Provide opportunities to advance competent staff to increasing positions of responsibility.
- Provide an opportunity to train promising employees of the company in other parts of the business.
- Allow a greater appeal than presently exists to young people joining the firm for career employment.
- Provide a variety and spice to the working career of those employees who perhaps may be becoming bored or indifferent to a single kind of project.

There are disadvantages as well as advantages to the matter of diversification and the matter is not one to be approached lightly, or either totally accepted or rejected at first glance. I suggest that Ron Bloom and Sam Bloom give very careful consideration to the matter over the next several months and consider it objectively as to its role in Sam Bloom Plumbers Inc future.

### Mid-management moves

It is possible that changes will have to be made at middle and upper management levels in the company as the company's future course of action is further evaluated. These moves are somewhat complex and a full discussion of them here is not appropriate nor totally possible. Many of the critical elements of the moves are covered indirectly within the objectives and plan of action for Mr. Ron Bloom outlined later in the report. However, the moves must be kept constantly in mind as the methods for strengthening the organization emerge from work.

### Office management

Most of our conversation about management of the Sam Bloom Plumbers office was incorporated in the work outline for Ron Bloom over the next year since the responsibility for managing the office mainly falls to him and to his sister Mrs. Bonnie Hullman.

There was, however, one aspect of office management we did cover in some depth - the matter of project management. I outlined to Ron Bloom and Sam Bloom the principles of project management and discussed with them the differences between the functional operation as opposed to the project operation. I am not at this time prepared to recommend that Sam Bloom Plumbers adopt a full fledged project management system. Certain changes to the functional system presently in use should be implemented first and then it may be much easier to move to a successful project management technique. However, I believe that in the long look ahead as the company does grow and possibly, diversify, that a project management technique will best be made an integral part of the company's program. It, too, allows space for growth within the organization and provides an incentive for these competent young people who show promise, to stay with the firm and contribute to its success.

Most of the other items of interest within the subject of office management are covered in the definition of objectives outlined below.

### Cross fertilization

This topic assumes a high importance because the talented people in the company do not, in my opinion, and from my brief observations, have the opportunity, nor are they given the encouragement to exchange techniques, ideas, and methods that they have found successful in their own work. There are a variety of reasons for this ranging from the individual's reluctance to give his best methods to others, on through to just plain and simply not providing an environment in which an exchange of ideas is encouraged. I believe in the



Sam Bloom Plumbers firm the latter is probably more the cause of poor cross fertilization than the former. Again, as part of the medium range objectives methods should be developed by which the various responsible managers in the company are allowed and encouraged to talk to each other, exchange ideas, and to gain information from others that is of benefit to all in their work.

### Objectives

As the discussions proceeded over the two day period, I noticed several objectives evolved out of the various conferences. These should be critically evaluated and if appropriate should form the nucleus of the many other objectives that will have to be defined in the various major action areas shown on pages 6 and 7 of the initial report. The objectives I suggest for early review include the following: These are listed in random order:

- A. To develop an acceptable succession plan that clearly defines the responsibility and authority that Ron Bloom is to assume over the next two years.
- B. To clearly define the responsibility and authority to be assigned Bonnie Hullman over the next two years.
- C. To generate methods of stimulating business opportunities by aggressively bringing such activities into existence (proactive marketing)
- D. Within three months to complete debugging and bring fully on line the computer operation for payroll, accounts payable, general ledger, and job cost control.
- E. Within the next three months to establish a procedure for bringing a computerized estimating system on line.
- F. Within the next six months to establish a method of bringing a computerized hydraulic calculation program on line.
- G. Within the next year to establish a method of bringing a computerized purchasing and stock tracking system on line.
- H. Within the next six months to establish a method by which computerized bills of material can be prepared for each obtained project.
- I. Within the next six months to complete a physical replanning of the existing office building (must retain the existing building footprint)
- J. Within the next two months to develop a bubble chart showing the office organization and the various interrelationships as they are desired to be within one year.

- K. Within the next six months to develop a more sensitive method than presently in use to pick up early marketing leads, to track the leads, and continually provide current information about what is happening on the project prior to the bidding period.
- L. Over the next six months to establish method of improving field feedback on labor costs into the project cost accounting system.
- M. Within the next 9 months to prepare and publish a company brochure.
- N. Over the next six months to re-examine and upgrade shop and yard production, and field installation systems so as to reduce costs to better competitive levels while maintaining a high quality of production.

Although the above may appear to be a very simple set of objectives to achieve they will require careful attention and hard work to bring about at the success level necessary.

During our two day session, on both the first and second day, Ron Bloom and I reviewed the problems and weaknesses identified on pages 14, 15, and 16 in Draft #1 dated January 24, 1981. We numbered each of these points and then reviewed them to determine if each was an actual problem or weakness and if so, what should be done to eliminate it or turn the difficulty into a strength. Out of these meetings came a set of assignments to Ron Bloom for the next 12 months in three month increments. The assignments are to help overcome some of the problems and weaknesses. The plan was assembled by identifying whether or not Ron Bloom, Sam Bloom, individually, both or neither could actually accomplish improvements in the area in which there was identified a problem or weakness. We then took all of those that appeared to be a part of Ron Bloom's fundamental responsibilities and established a specific action he could take to bring about a solution or improvement relative to the item.

The plan of action resulting is given below:

- A. Within three months, to work on items #4, #14, #35, and #38. (These numbers are referenced to numbered points on pages #14, #15, and #16, Draft #1 dated January 24, 1981.)
  - #4. To update and set purchasing procedures with Ray Selczi on day to day buying operations. Ron Bloom and Sam Bloom will still fulfill the purchasing function for major items such as fixtures, pumps, boilers, and other long lead time, high cost items,
  - #14. To review cost accounting procedures and categories and improve the day to day feedback of cost information into the cost accounting system.

- #35. To reduce the amount of decision making duplication now occurring in the office. At present, due to occasional poor communication and lack of good cross fertilization different people can be deciding about the same matter without each knowing the other is involved. Also, voids often exist since an individual may assume incorrectly that someone else is making a decision and thus, no decision is made. Ron Bloom will work on this matter with Sam Bloom to insure that better determinations are made on decisions and who is responsible for them.
- #38. Ron Bloom will have prepared within the next three months a management contract that can be evaluated and accepted if appropriate. In addition, he will formulate more explicitly in his own mind how the succession program can and should occur.
- B. Within the next six months Ron Bloom will concentrate on items #4, #8, #9, and #44 as outlined below:
- #5. To improve the responsiveness (turnaround time) on field requests for supportive services. This particular problem deals with the middle management and upper management difficulties that are going to have to be resolved soon. With the addition of Mr. Selczi to the staff it is possible that changes could be made to the existing system which could encourage an improved responsiveness. However, there will have to be some portions of this improvement that can only be accomplished by Sam Bloom. It is an important item and one that must be given careful attention.
- #8-#9. To improve initial job set up procedures at the office and field levels and to allow more front end time at the beginning of the job for project planning and field startup. This presently is a weak area in the company and Ron Bloom is to establish methods and systems by which this early planning can be better done so as to improve shop and yard fabrication output, field operations, and the meshing of procurement with shop, yard, and construction activities.
- Within the project planning that is done, some project management concepts can be put into work. At a future session I strongly recommend we discuss methods of job planning in some depth. There are some excellent techniques to which the staff has not yet been fully exposed that would help greatly in improving Sam Bloom Plumbers job planning.
- #44. To develop a training and education program for members of the Sam Bloom Plumbers, Inc. staff. During

slow periods it is advisable to take time to improve the skills of key members of the staff. Mr. Ron Bloom will develop a program outline so there can be an improvement in training and education of personnel in the shop, yard, field, and office.

- C. Within the next nine months Ron Bloom will concentrate on achieving objectives generated from #1, #11, #13, #23, #24, and #47.

#1. To improve trouble shooting on delivery problems. Here Ron Bloom feels that his main efforts should be toward seeing that Mr. Selczi makes the transition into expediting deliveries and maintaining a properly timed flow of material to the job sites. This will require clear definition of procedures to be followed.

#11. To improve turnover procedures upon completion of work. This problem of turnover is widespread in the industry and frequently is a cause of serious losses on an otherwise profitable job. There is a strong need to get the valve charts, maintenance manuals, and as built drawings complete and into the hands of the client just as soon as possible upon completion.

I recommend that the as built drawings which are prepared as the project proceeds be done on reproducibles such as a sepia or Mylar. This drawing should then be kept in a safe place, preferably the office, so as to minimize the risk of losing months of work required to prepare the as built.

#13. To develop a consistent, easily used job record keeping system among field managers. At present each field manager has his own special technique of maintaining field records. Although this may be satisfactory internally to the job and work well, it poses difficulties sometimes when it is desired to compare the records of one job to those of another.

The items will have to be worked on a very careful and selective basis since the intent is not to alienate or offend those managers presently keeping good records but to select and put to use the good ideas that each bring to their record keeping system.

#23-#24. To study and decide upon the amount of cost feedback that should be sent to field managers. There is a strong feeling that cost feedback to the field is not necessarily a desirable nor a helpful activity. However, it would be advisable to generate some method by which the field managers can evaluate their performance relative to the standards set for the job.

It might be that if actual costs are considered internal and not for publication that a tabulation of hours required for certain kinds of activities would be appropriate to allow the field manager to evaluate his and his staff's performance.

The objectives here are to study the needed feedback system rather than to necessarily implement cost information being sent to the field.

#47. To develop and implement additional uses for the computer in other than bookkeeping functions. The major new program being considered at present is a computerized estimating system which Ron Bloom is currently evaluating. I have suggested to both Bonnie Hullman and Ron Bloom that they become acquainted with the fundamentals of writing computer programs in basic, which is the language the office computer uses. This is relatively simple and could stimulate both Ron and Bonnie to a higher utilization of a very powerful computer system. Specific improvements and use programs should be established with time limits on them so that the full power of the system available is put to profitable use on a consecutive basis.

D. Within the next 12 months Ron Bloom will concentrate upon achieving objectives related to points #2 and #48.

#2. To develop methods of minimizing expensive tool disappearance due to field staff turnover. Ron Bloom has some ideas on this already and it is now a matter of putting some of the plans into effect. I recommend that records be kept of the type and value of the tool disappearance so a comparative evaluation can be made at the end of the year to see if the attrition rate has been lowered.

Ron Bloom mentioned that he will probably have Bud Gray and Ray Selczi concentrate on this. This is a very good idea and the technique should be extended to other portions of the Ron Bloom assignment since there will be a need for Ron Bloom to generate effective responsibility and authority delegating methods to achieve the goals outlined for him over the next years.

#48. To develop improved and additional depth of performance within the office staff. This means that the people in the office may require more training and education as well as more intense and effective day to day job coaching than they are receiving now to properly improve their skills. Although the intent here is to concentrate primarily on an improvement in estimating

and project management the idea could very easily be extended to other functional areas and should be defined by Ron Bloom as part of his management activities.

Closing

The above represents a very ambitious and exciting set of opportunities for improvement. Naturally, it will be important to maintain close watch on how well the company is moving toward this improved position. The activities of all involved should be monitored on a regular basis and executive staff discussions held frequently to insure that each manager is concentrating on the essential ingredients of his assignment.

As we have discussed, the various items that are important to Sam Bloom Plumbers, Inc. , it appears that in summary we should try to make the company and its people create direction rather than merely respond to direction given from the outside. Again, the word proactive can be used to indicate this creative effort as compared to the word reactive to indicate a response generated from outside stimulus. Being more proactive and still maintaining a healthy reactive judgement is going to be essential if Sam Bloom Plumbers is to remain successful in their practice of mechanical contracting.

I recommend I again visit with Sam Bloom and Ron Bloom within the next 2 to 2 1/2 months. I shall be in touch with Sam Bloom soon to discuss the next session.

Ralph J. Stephenson, P.E.

RJS:sps

*ms*

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CONSULTING ENGINEER

SECTION #3 of MANAGEMENT ANALYSIS

AND

BUSINESS MODEL FOR SAM BLOOM PLUMBERS, INC.

MIAMI, FLORIDA

Prepared by Ralph J. Stephenson, P.E.

Consultant, Detroit, Michigan

August 2, 1981

Project: 80.54

## INTRODUCTION

The third section of this management study follows the reporting patterns used in sections I and II with an increasing focus on the specific problems and solutions that can be addressed by the Sam Bloom Plumbers Inc. organization over the coming one to five years. It is to be stressed that irrespective of what decisions are arrived at during meetings with the staff in Miami that no major benefits will be realized by the company unless those things we decide upon are implemented. No matter how enthusiastic the response may be at the time, nor how good the intentions appear, without action neither enthusiastic response nor good intentions will do the company any good.

A brief review of our activities during the two day session is given below:

### Monday, July 20, 1981

- Breakfast with Mr. Sam Bloom and Mr. Ron Bloom
- Set agenda for Monday
- Reviewed current and projected work load
- Discussed validity of objectives shown on pages 9 and 10 Report #2 dated March 15, 1981
- Discussed Ron Bloom's plan of action outlined on pages 10, 11, and 12 in report #2 dated March 15, 1981
- Met with Bud Gray for business and technical discussions
- Attended Villa Regina job meeting with Bud Gray
- Inspected Villa Regina with project general foremen and Bud Gray
- Continued discussions with Bud Gray

### Tuesday, July 21, 1981

- Had breakfast with Sam Bloom and Ron Bloom
- With Ron Bloom and Bud Gray reviewed procedures to be followed on Villa Regina to help organize paper flow and insure proper dissemination of information
- Discussed project management systems with Ron Bloom and Bud Gray



Page two

- Had lunch with Ron Bloom
- Met with Sam Bloom, Ron Bloom and Bud Gray for detailed policy discussions
- Reviewed two day's activities with Sam Bloom

### General Summary

In our breakfast session of July 20, 1981 we set the early agenda for the first day and decided that remaining work would evolve as our meetings proceeded. The basic need identified in the agenda discussion was that we must begin to resolve the approach we were going to take to middle and top management structuring and policies of the company. I stress that it is essential we make hard specific, basic decisions as a guide for simulating and planning future actions. Without these basic decisions we merely float in a managerial sea and no improvement is possible because of the uncertain position that everybody and everything has in the eyes of the Sam Bloom management staff.

Therefore, at our breakfast session we set some of the ground rules to be followed during the day. Of major concern at present is the strong need to obtain additional work volume. This is a paradoxical situation since when work volume is low, as it is now, there is an intense effort made to obtain jobs. This, of course, puts a heavy stress on properly estimating jobs, following existing work to see what new work is being generated from it, and insuring that all clients the company has are aware of the company interest in getting additional projects. Also, there is the always frantic scramble to identify deficiencies in the pricing structure. This imposes a burden on the staff to get future projects and prospects, detracting to some extent from the management of current projects they already have.

The other side of this coin is that when things are good there doesn't appear to be any time because of the press of current work to improve techniques, methods, procedures, and management skills. The problem is not uncommon, and is one with which every good manager must cope successfully if his company is to grow and prosper.

In a nutshell, there is no best time to improve. Improvement is continuous during good times and bad. Neither can be used as an excuse for failing to take advantage of all opportunities to improve the company's abilities.

With this background we first began a discussion of the various projects at hand. Information about the projects is tabulated below:

Page three

<u>Project Name</u>	<u>What's Doing</u>	<u>Approximate Volume</u>
Villa Regina (bid to general)	Has started (could be a serious problem job. Later discussions covered methods of avoiding difficulties)	\$2.5 million
Terraces of Turnberry	(was bid July 23, 1981)	\$7 million
N site (bid to owner)	Held - no action until next year	\$2.5 million
Richeleau Towers	No action as of July 14, 1981 (Sales of units are slow)	\$1 million
Baypointe Place (bid to owner)	Will start in 4 months (Plans not picked up yet - Sales are slow)	\$2.5 million
Grandview (bid to owner)	On hold for sales improvement	\$1.5 million
Venetian Harbor	(Was let to non-union contractor)	\$1.75 million
Imperial (bid to general)	Lost to competitor	\$1.5 million
Tiffany (bid to general)	Lost to competitor	\$2.5 million
Key Biscayne (bid to owner)	Being re-bid July 28, 1981	\$12 million
Plaza Venetian II (bid to general and owner)	Plans to be issued in September, 1981	\$7 million
Biscayne Center Office (bid to general)	Will be let in about one month	\$200,000
Santa Maria (bid to general)	Will be bid in August - start in about 3 months	\$3 million
Marriott Hotel at Plaza Venetian (bid to general)	Plans out in September	\$3 million

<u>Project Name</u>	<u>What's Doing</u>	<u>Approximate Volume</u>
Hampton (bid to developer)	Plans out in two months	\$2.5 million
Grand Bay Hotel (bid to general)	Proposed upon last week - waiting for news	\$1.5 million
East Brickell Apts. and tower at Baypointe (office building)	Being priced now	\$1 million
West Bay Plaza (bid to owner and general)	Has been bid but slow sales delaying start	\$1.3 million

It can be seen that the company backlog is steadily declining and that new work has been slow in coming. The only new job since our last session is the Villa Regina and therefore the job load is now at a reasonably difficult point. Management is well aware of the problem and is making strenuous efforts to obtain some of these current jobs. The residential market, of course, has been slowed by high interest rates.

Conditions in the area still point toward the strong need for diversification efforts. Some steps have been taken by Sam Bloom toward this diversification and I highly recommend that ongoing efforts lead toward the goal of a better balanced work load.

Sam Bloom, Ron Bloom, and I next discussed the validity of the objectives outlined on pages 9 and 10 of Report #2 dated March 15, 1981. Referring by letter to each of these points the following comments were made:

- A. There is still a strong need to develop an acceptable succession plan defining the responsibility and authority that Ron Bloom is to assume over the next two years. No major work has been done on this as yet.
- B. It is still essential to define the role of Bonnie Hullman in the office over the next two years. This matter has not yet been addressed in full.
- C. The current market condition has currently dulled some efforts at stimulating business opportunities by proactive marketing. The reason for this is that a proactive or creative marketing effort takes time to generate and takes several months to lay the groundwork. Therefore, it cannot be instantaneously put into effect if it doesn't exist when work is needed now. Thus, the current fall back to bid work.

- D. There is an ongoing refinement being made of the computerized accounting functions. However, problems are still being experienced with what appear to be software failures. Bonnie Hullman is to attend a course in basic program writing which may assist in reducing the number of software difficulties.
  - E. There has been no progress made toward establishing an estimating system that can be put on the computer. I urge that this matter be followed closely since the time consuming processes in estimating which deal with extensions of quantities can be accomplished quicker and more accurately by the computer than by human beings. There are many estimating software packages and certainly we should be able to find one that is suitable for the Sam Bloom Plumbers Inc.
  - F. There is no need at present for having a computerized hydraulic calculation program since the company is not doing any fire protection design at present. However, at later staff discussions it appears that sometime in the not too future fire protection design could become a profitable function of Sam Bloom Plumbers, Inc. Therefore, it is not too early now to locate a good hydraulic calculation program.
- I told Ron Bloom that an engineer friend of mine in Detroit had written a program in basic for calculating the hydraulics of fire protection and this program is available commercially along with a write up. If further information is desired I would be pleased to follow it with the engineer who wrote the program. The program is available at a nominal cost.
- G. No progress has been made on bringing a computerized purchasing and stock tracking system on line.
  - H. No progress has been made on establishing a method by which computerized bills of materials can be prepared.
  - I. Physical replanning of the existing office building will be deferred until business volume increases. Again, I wish to point out that when the business volume increases the time available for planning and remodeling the facility will evaporate since everyone will be busy on jobs. This matter should be re-examined if it is truly a serious consideration.
  - J. No action was taken on developing a bubble chart showing office organization and various interrelationships as they are desired within the next year.
  - K. Continuing efforts are being made by Ron Bloom and Sam Bloom to more sensitively track marketing leads and maintain current information about prospect progress prior to bidding.

- L. An ongoing effort is being made to improve field feedback on labor costs.
- M. Sam Bloom is investigating a new company brochure and has tentatively selected three firms from which he will make a final choice.
- N. Little progress has been made toward upgrading shop and yard facilities. There may be some movement on this in the near future, but it will take strenuous action and continuous effort to get it done. Again, the excuse that when business slows, production slows, as a reason for not improving shop performance is not necessarily valid for reasons already mentioned above.

It should be noted that although the fire protection load for Sam Bloom Plumbers, Inc. has declined they are presently fabricating fire protection components for other contractors. This might be an interesting field to explore relative to diversification efforts of the company. I recommend it be a matter of discussion at a near future staff meeting.

Later in the morning Ron Bloom, Sam Bloom, and I reviewed the plan of action for Ron Bloom shown on pages 10, 11, and 12, Report #2 dated March 15, 1981. We covered the three month and six month objectives only. A review of these is given below:

- A-#4. The improvement of purchasing procedures is moving well and a good working relationship has been developed between Ron Bloom, Ray Selczi, and Bud Gray. All seem reasonably satisfied with progress being made in this matter.
- A-#14. Ron Bloom reports that some updating of project costs is being done.
- A-#35. There still is too much overlapping and duplicating of decision making in the office. One of the problems appears to be a breakdown in the schedule of staff and executive meetings previously held. We took steps during our two day session to correct this situation and an improvement to the duplicate decision problem should be noted if proper steps are taken in the near future.
- A-#38. Ron Bloom has not yet prepared a management contract for evaluation. There is no current word on when this will be accomplished.
- B-#5. An improvement in turnaround time on field requests for supportive services is noticeable according to Ron Bloom. Ray Selczi is apparently doing a good job in this activity.

B-#8 &

#9. No progress has been made on improving initial job setup procedures at the office and field levels. Of course, with the current workload being as low as it is there have been few opportunities to practice improved procedures. This, however, should not stop Sam Bloom Plumbers from formulating better methods of starting jobs and getting ready for the increased workload that is bound to occur over the next few months. In fact, with an increased workload the need to properly start awarded projects will be acute.

B-#44. No work has been done on developing an education and training program for the Sam Bloom Plumbers staff.

I again emphasize that the key to improvement is that it be on an ongoing basis irrespective of whether the workload is high or low. There is no best time for implementing good company planning. It is something that starts whenever the staff desires it to start and is done as well as the staff wants it to be done.

Upon completing our review of the current and projected workloads, the objectives, and other items of early discussion, I met with Bud Gray to discuss the company and his role in the organization. This was a very interesting discussion and out of it came several items we placed on the agenda for the second day's meetings. These will be covered in the later discussion of the Tuesday afternoon session with Ron Bloom, Sam Bloom, and Bud Gray.

After a brief discussion with Bud Gray we went to lunch together and then drove to the Villa Regina job site where I attended a job meeting with Bud and the project owner. This was an interesting session in that it indicated the troublesome nature of the project and signaled that it might be a difficult job which must be administered very carefully. This is so that Sam Bloom Plumbers do not get hurt by their participation in it. A discussion of this matter was held in the office upon our return and methods of handling the paperwork and communications flow on Villa Regina are discussed later in the report.

After the meeting Bud Gray and I along with Mike Shaw, the general foreman, inspected the job. It looks like a very interesting project although as all agreed it has some problems connected with it that must be given very careful attention.

Upon our return to the office, I further discussed with Bud Gray his areas of responsibility and how work for which he was responsible moved through the shop and field divisions. An interesting observation made by Mr. Gray was that he feels

there are many uses for the computer in the office including better control of inventory, better purchasing procedures, preparation of bills of materials, and for estimating both new work and bulletin work. He also feels that there is a strong need for an ultimate movement to a project management system.

We briefly discussed what a project management system would be like at Sam Bloom Plumbers Inc. and Bud Gray indicated that he would be comfortable in management of the ex-e-cutive operations which deal with putting materials and equipment in place once they are available. He pointed out that this does not mean he is not interested in the supportive and procurement activities particularly as they relate to the shop and yard. However, his prime interest is in management duties as they relate to those who must carry out or execute the project work.

On Tuesday, July 21, 1981 Ron Bloom, Sam Bloom, and I discussed the day's agenda at breakfast and decided we would concentrate on two major areas - procedures to be followed with the Villa Regina job and a full scale management meeting in the afternoon with Sam Bloom, Ron Bloom, and Bud Gray. So, early in the day Bud Gray, Ron Bloom, and I met to discuss the Villa Regina project in detail. We covered many items, and I shall review these briefly below with the thought that detailed notes were taken by Ron and Bud and that procedural matters decided upon were remembered, and are being carried out by Ron Bloom and Bud Gray.

First, we made some basic definition assumptions. The most important of these was the definition of what we shall call a bulletin.

Bulletin - A bulletin is any document issued in which revisions to the current contract documents are shown or implied.

A bulletin document will conventionally be issued with a transmittal although this is not always the case. A price is to be quoted on a bulletin if any change in cost to the project is expected. If no change in project cost is anticipated, it is generally recommended that a reply should be sent saying so. There was some consideration that if there was no cost change involved that it would be better not to respond. This matter should be discussed at future management meetings and a decision made.

We next decided on the paperwork procedures that should be followed and actually took all of the documents on the job to this point and cast them into a format that might be suitable for future work. A brief discussion of the decisions made is outlined below. The points are given at random and should be assembled by Ron and Bud into sequential or logical

order and issued for the guidance of all those involved on the Villa Regina project. Those procedures that appear to be unusually good could be incorporated into procedures and office and field practice on future jobs. The points are numbered for ease of reference.

1. A bulletin is as described above and is a document issued after the contract is in effect.
2. A pre-bid addenda is a potential contract addition change issued before the contract is signed.
3. When a bulletin arrives at the office it should be assigned a bulletin number immediately. Numbers should be sequential and should be clearly identified on the correspondence as it comes into the office. Remember a bulletin can be any one of several different kinds of communication provided a revision to the contract documents currently in effect is the intent of the communication.
4. All project correspondence in and out will receive a document number. The document number is assigned in chronological sequence and consists of a five digit number showing the month in which it was written, and the consecutive chronological number within that month in which it was received or sent. The numbers do not have to be strictly chronological within a given period or month but only approximately so.

In addition, it was decided that for bulletins a clarifying suffix would be used such as 05010BU-12. This would indicate that that chronologically coded document number 05010 was bulletin #12.

5. All documents in and out of the office would be copied and the copies kept in a chronological file by Ron Bloom. Any distribution copies to be made or any copies that are to go in other than a chronological file will be made from the original in the chronological file. All document numbers are to be assigned by Ron Bloom.
6. The following steps were agreed upon generally for incoming and outgoing correspondence:
  - For incoming mail:
    1. Mail arrives and is given to Ron Bloom.
    2. Ron Bloom assigns document number and decides if a bulletin number should be assigned. If so, he assigns bulletin number.
    3. Ron Bloom makes copies and distributes copies.
    4. Ron Bloom files original document in master chronological file.
    5. Recipients of document copies, file these in whatever order they wish or dispose of as they see fit.



- For outgoing correspondence:

1. Ron Bloom, Sam Bloom, Bud Gray or others originate letter and a copy is sent to Ron Bloom.
  2. Ron Bloom assigns a document number and puts copy in chronological file.
  3. Any internal copies desired by the sender are distributed directly from the sender by copies made and so designated.
7. A submittal log is to be kept of all shop drawings, samples, and whatever else is to be submitted or approved by other organizations. Ron Bloom showed me a submittal log he had used for a previous job and it appears to be very complete. He will use it for the Villa Regina job.
8. The question was asked about the manpower needed to do all of the apparently additional work that has to be done to maintain this system. It is agreed that additional clerical help may be required due to the large number of actual and potential revisions and the sizable amount of paperwork, confirmations, reports, and other documents that have to be processed on the Villa Regina job. It is, in my opinion, essential that the material flowing at an administrative level be kept straight, under control, and tracked. Generally, there is a strong need for some additional clerical help back in the estimating and shop areas. This probably would be a good time to add such help.
9. Ron Bloom and Bud Gray will study the procedures discussed today and if there are changes they feel would benefit the office they will make them accordingly. However, I strongly urge that at the very minimum a chronological file and a document numbering system be used. This is an easy way of keeping track of paperwork and will serve in good stead if future needs arise for documenting claims or additional expenses on the job.

Ron Bloom and I had lunch together on Tuesday, July 21, 1981 and talked about a variety of subjects most of which were covered somewhat informally. Those major points that deserved further discussion were generally incorporated into the Tuesday afternoon meeting reviewed below. Later in the afternoon, on Tuesday, July 21, 1981 Sam Bloom, Bud Gray, and I met to discuss several items in accordance with a detailed agenda I had prepared from the previous day and one-half's work. The points covered in our afternoon session are given below roughly in the order covered and are numbered for ease of future reference:

1. We reviewed the paper handling techniques for Villa Regina that were described above. As a part of this I went over the suggested procedures for

chronological filing, the document numbering system, issuance of bulletin numbers, procedures as to how the work was to be done, who was to do it, and coding of project documents. Coding of the documents I suggest be held until a later date when the need for such coding arises.

2. We also reviewed in detail the processing of bulletins and change orders. This included a definition of the bulletin, how its history can be shown graphically, and who is to do the work. The graphic definition of how to track bulletins and their conversion to contract changes was left with Bud Gray and Ron Bloom for their further use. The system is simple, easy to maintain, and I have found it extremely helpful in freeing up decisions from the owner relative to release of changes to the contract.
3. I went over with those in the meeting the fundamental methods of settling construction disputes and claims. These are:
  - Litigation - resolution by a court of law
  - Arbitration - resolution by a mutually selected arbitrator or arbitrators
  - Mediation - resolution by a mediator whose decisions is usually not binding
  - Administrative settlement - resolution by agreement without using any of the above.

It is hoped that there will be no difficulties on any of the current projects of Sam Bloom Plumbers Inc. However, those projects that do appear to be claim prone should be documented carefully. The procedures outlined above should assist in preparing for difficulties that might occur.

4. A decision was not made as to whether the paperwork procedure should be used on new jobs as they are obtained in the future. I tend to believe that the system should be made a standard part of the Sam Bloom Plumbers, Inc. administrative procedures. This matter, however, must be decided by the management of the company. Good internal administration as long as it is kept under control at a low or medium overhead level generally does not hurt the operating mode of the company.
5. A emphasized the need for the company to reinstitute regular meetings. We agreed in our session that there should be two major types of periodic meetings - staff meetings and management meetings.

Staff meetings should be held once per week preferably early in the week and early in the day(usually Monday a.m. is the ideal time to do this). Those attending the staff meetings should be:

- Sam Bloom (if he desires)
- Ron Bloom
- Bud Gray
- Ray Selczi
- Bonnie Hullman (if her presence is needed)
- Mohammed

Management meetings should be held once per month and can be either prior to or immediately after a staff meeting. Those attending should be:

- Sam Bloom
- Ron Bloom
- Bud Gray

It is essential that these meetings be held regularly and that attendance at them be mandatory. The reason for their importance is that every company requires some method by which the people within but not always in direct contact with each other (although sometimes **this is not a qualification**) can effectively communicate to each other what it is that is important to each party. Face to face meetings are often the best and most effective method of accomplishing a direct communication. At Sam Bloom Plumbers Inc. it is still apparent there is a large amount of decision making duplication and that all too frequently, voids exist where one individual assumes incorrectly that someone else is making a decision or taking an action. Hopefully, these meetings can help resolve such problems. It is important, however, to understand that meetings cannot totally solve the dysfunction but certainly, if held regularly with a well defined agenda published in advance, and kept within reasonable time limits, can help improve such a situation.

6. At the staff and management meetings no phone calls should be allowed in the meeting. Every person should be prepared and should be made to stick to suitable subjects scaled to the importance of the people attending. Routine matters that can be settled within a normal day to day interaction should be avoided.
7. We next turned to the subject of project management, and I again reviewed the basic management concepts of project management. There was some discussion and some airing of different views but all present generally agreed that a project management system irrespective

of the detailed form it would take was an essential part of Sam Bloom Plumbers future. The questions asked were:

- Should we start?
- When should we start?
- Who is to staff?

These questions deserve and require some very careful attention, and I recommend that in a near future session we make project management a subject of a full day's review. The project management system does not spring into being by itself - it must be understood, needed, and wanted for it to become an integral and successful part of the company's management.

8. We discussed in some detail the personnel needs for the project management system, the estimating department and for clerical functions. It was agreed by all at the session that such additional help is needed. Immediate needs are to provide more clerical assistance to estimating and the shop and field function and in addition to hiring or training additional estimating staff. These additions will be the first priority.
9. Shop improvement was discussed briefly and it appears that some early definitive plans for shop improvement are already formulated by Bud Gray. Sam Bloom wants the shop operation improved, Bud Gray wants it improved, Ron Bloom wants it improved! There are plans in existence for its improvement! Therefore, the group should now get the job done. It appears that any barriers to these desired improvements are fictitious and non-existent. I should expect then that within the next two months shop improvements will see the light of day.
10. It was generally agreed that a good set of job descriptions for the various management and staff positions within the office would be helpful. There was no statement as to who would do this nor when it would be done. However, it is an important enough item so that it should not be forgotten.
11. Management of the office occupied a portion of our conference; however, time did not permit a full review of the matter. It is one that still has to be resolved and a management system for the office decided upon and put into effect. Again, this is a matter for some of our near future work.

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Overall, the two day's of discussion brought considerable optimism for the future, but I hasten to add that this optimism must be justified by action relative to things that we decided are good for Sam Bloom Plumbers, Inc. This has to be, as stressed above, an internal happening that is made to occur by the activities of those who are in responsible managerial roles.

I suggest we again meet sometime within the next three months to continue an ongoing review of the staff's performance. My first meeting with the Sam Bloom Plumbers Inc. staff was in December, 1980 and a review sometime within the next three months will bring the span of my involvement to about one year. During that time there have been many good ideas formulated within the company by the people working there. These are for the most part articulated in the memos following each session. The large majority of these now require internal action for them to be successfully carried out. In fact, there is enough material already suggested for the management of Sam Bloom Plumbers Inc. to accomplish that we must first focus on the improvements we already know we should make before embarking upon those we may not have yet identified.

I shall be in touch with Mr. Sam Bloom shortly to determine when another meeting would be appropriate.

Ralph J. Stephenson, P.E.

RJS:sps