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USING A BOARD OF DIRECTORS, PEER GROUPS AND OTHER RESOURCES TO CHALLENGE AND ENHANCE PERFORMANCE: FOR HVAC AND SHEET METAL CONTRACTORS

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INTRODUCTION

As described in an earlier report prepared for the New Horizons Foundation, the leader of a sheet metal or HVAC company has a long list of responsibilities.¹ We won't reiterate all those responsibilities here, but it is clear that one can say that the biggest problems and concerns rise to the top. And those problems and issues arise no matter your company size; larger companies just see more issues, often with greater complexity. The list of possible issues is long and seems to grow faster each year as regulations change, new competitors emerge and new technologies require training and investments. Company leaders cannot, and should not, go it alone when it comes to learning about all the challenges the business faces. If you want to be successful now and in the future, you need to tap into expertise outside of your company as well.

For those who do not now seek out outside advice from one source or another, the first thing to do is learn how such counsel can help you run your business.

There are business and strategic issues that sometimes one cannot delegate to others in the organization. It can be overwhelming for a leader to tackle these issues without sound advice and help. What can be even more daunting is having problems or challenges in your company that you don't even know about yet, or are blind to them because they pass by you every day. For instance, you may ask why you aren't winning as many bids as you expect you should. Does the problem stem from estimating, project management practices, personnel, a poor sales effort or because your crews are not as productive as those of your competitors? How does your company match up with others

in the industry? It is true that some industry benchmarks can be found with research, but benchmarks alone miss many of the management and business issues that you are likely to face in your business.

For those who do not now seek out outside advice from one source or another, the first thing to do is learn how such counsel can help you run your business. Since the size of the HVAC and sheet metal companies varies greatly, the goal is that everyone will be able to take something away from reading this paper that will help find new sources of information and/or get more from participating in the advisory groups you now have contact with.

Lonely at the Top?

We have all heard the phrase that it is lonely at the top. Certainly, in the typical organization chart, there is always a box at the top reserved for the owner/manager. In the construction industry, that CEO is most often the majority owner; but even if he or she must answer to a strong board of directors and shareholders, it is a "bucks-stop-here" position. That can be a cause of tension as well as a welcome challenge, as most CEOs have the personal makeup that likes that kind of challenge. It also means the CEO or owner can benefit from some occasional introspection.

Leaders who not only understand themselves, but also have a deeper and more perceptive understanding of others with whom they interact are less likely to be [shut up in] the executive bubble. Such leaders often have a high level of self-awareness and humility, and are receptive to feedback. Tantamount to personal receptivity is an organizational culture that promotes open and honest communication. Often, we see that company culture reflects the personal style of the CEO, or vice versa. As such, each needs to be addressed.

¹ "So, You Want to be a CEO? Read this first." (NHF 2013.)

The CEO should not feel lonely at the top, although several of those we spoke with noted that it is necessary to have one boss at the top to make the final decisions, and not all those decisions will turn out right or be popular with everyone.²

***“Sometimes it is hard to hear the truth, but it is beneficial to have outsiders put their eyes on your business.”
— Randy A. Novak, President, Novak Heating and Air Conditioning, Inc.***

There is no reason for an owner or manager to make all the tough decisions in a vacuum. In order to make informed decisions based on data and experience, the owner must reach out and contact the people who know what he or she is going through. Fortunately, sources of information and executive experience exist in many places; however, it should be the goal of the CEO to network and learn about various sources to find the best fit for his or her needs. Association membership, both national and on the local level, is one place that most companies turn to for support and to keep up on recent industry information. While association contact is a good place to network with peers, conversations can or must often be guarded when talking to potential competitors.

Association meetings are also a source of interesting and useful programs and training opportunities on a variety of business situations, new technologies and best practices. It is important not to bypass these events to get the most out of your membership. In other words, engage, participate and commit to your association if you want to gain more information and business insight.

In fact, engagement, commitment and participation are key actions that one needs to take when seeking outside advice and support for decisions. These are not the only actions or characteristics needed for success in finding good advice; being trustworthy, honest, open, sharing and willing to take (and give) constructive advice are also necessary to get the best experience and result from trusted advisors wherever you find them.

² Ibid.

Peer Groups Evolve

Randy A. Novak, President, Novak Heating and Air Conditioning, Inc. is a member of a peer group with 10 member companies that has been active for 13 to 14 years. The group consists of noncompeting member companies from around the country. The peer group format has evolved over time. The group used a facilitator for many years, but later dropped the facilitator mostly due to his lack of understanding.

Like other peer groups, the members visit each other's shops and job sites and then convene to review and discuss issues. In the early days, they visited all groups on a rotation business; now that has changed to a less formal schedule. The key to success of the session is to give honest feedback, Randy notes. The group is now administered by a leader from one of the member companies who organizes the meetings and other necessary tasks, for instance, the leader:

- Keeps spreadsheet of financials and other information generated from reviews.
- Creates metrics from company and industry data.
- Coordinates meetings.
- Manages a peer group email group that is used frequently in between formal meetings.

The participants now know each other well and rely more on email communications. Members who have a question can post and email to the group. Sometimes, Randy says, they get good answers that way. The group is no longer on a regular rotation where members visit each other's operations, but will do so as needed. The important thing that helps the administration of the group as well as the information sharing among its members is that the peer group works based on trust. Altogether, member companies have done well over the years. Some have taken advice better than others, and sometimes advice just doesn't fit one's geography or business, but that is part of the process. "Even if one sometimes disagrees with advice, listen to it," Randy points out, and most do take advice and make positive changes.

Randy's company does have a formal BOD, but he also thinks of the peer group as an outside BOD. In fact, he says he thinks of anyone, anywhere who has good information that he can learn from as sort of a director. He learns from a lot of different sources.

Why Not Belong to a Peer Group?

As a past president of SMACNA national, Randy says, "I have never met anyone that said it was a bad idea to be in a peer group. Anything, any form of peer group, is better than nothing, than not giving it a try." While he states that being a peer group member is the best thing that has happened for his company, there are leaders that don't take advantage of peer groups. Why not? First, as we have noted above, not everyone is willing to open his or her business to his or her peers. Some have a fear and lack of trust of others. Peer group requires significant commitment. There is also the idea of a good cultural and personal fit, as noted above. That is one reason it takes so long sometimes to

Peer Groups Evolve, continued

find new members for a peer group. “Sometimes it is hard to hear the truth,” Randy adds, “but it is beneficial to have outsiders put their eyes on your business.” According to Randy, things change, and there are always new concerns to work on in changing markets.

While our focus is how to get the most out of being part of a peer group and getting the most out of advisory boards and formal boards of directors, there are many other sources of trusted business advice for the president/CEO seeking sound information for running his/her business:

- Local associations
- Local business leaders
- Business journals
- Accountants
- Bonding companies
- Alliance partners
- The Lifelong Global Leadership Network
- Social networks for entrepreneurs
- YPO (Young Presidents’ Organization)

Potential outside advisors, like the list above as well as peer groups and boards of directors discussed below, should all share some characteristics in common: They all want you to succeed; they have experience and information that is important to your business; and their success is dependent on your success. There is a good chance that, whatever business problems or issues you have, there are others who have seen it before, or will soon meet others with similar problems.

While there are many outside advisors who can help you with business problems as well as act as a sounding board for ideas to make your business more successful, you will also discover that not all outside advisors understand the unique situations in the sheet metal and HVAC industry. This is

particularly the case when it comes to operations in the field and in the office like estimating, project management, regulations and others that do the work in the field. While all businesses have many common concerns, markets, products and services are unique to an industry and even to niches within an industry. That is why leaders turn to peers and form boards of directors to help deal with unique business situations.

“Looking at my statements and then at Angie’s, (see below) it really demonstrates what a peer group can develop into over 27 the years. In 1990, we were just beginning to know each other from relationships. At that time, we could not imagine where it is today. I guess that is the adage, ‘Go as far as you can see. When you get there, you can see even farther.’”

— Dick Cramer, Dee Cramer, Inc.

Peer groups and boards of directors, the primary topics of this article, both require commitments of time and investments of treasure. According to our experience and research, for most that investment can pay great dividends over time. It is also important to note that your participation in such groups is not just as an observer taking notes and getting valuable information; you must also be willing and able to share your experience and often detailed information about your company.

Joining a Well-Established Peer Group

Angela (Angie) Simon, president of Western Allied Mechanical, expressed her excitement to have become one of the newest members (in 2009) of one of the oldest peer groups of mechanical contractors. Western Allied joined the same well-established group as Dick Cramer (see below). One thing that caught the group's attention when Western Allied was applying for membership was the fact that the company had a very detailed and long-extant management succession plan. Her company is not family-owned, and the other family-owned members did not have a formal, long-term succession plan even though some were transitioning the business to the next generation in the family.

Angie is naturally open to sharing information and has been very active in networking practices, especially her participation in SMACNA on various committees. She is currently serving as vice president of the national association. She also encourages other partners to be active in various associations' boards and committees like MCAA and ASHRAE. Additionally, she meets with the bonding company each year and learns from its experience and programs. The company is also a member of an insurance captive, and her risk manager and CFO attend meetings each year where they learn about managing risk and share information on insurance topics.

Angie explains that the members in the peer group are committed to meetings about 10 days a year, including an owner summit once a year, peer reviews once or twice a year, as well as a meeting at the SMACNA annual convention. But this is just part of the commitment to the peer group across the company. Peer activity in this group is something like the parallel best practices format described below. For instance, at least once a year they hold a peer group summit, where management members from each company meet to compare notes and expertise on special topics, like productivity tracking and estimating. At the estimating summit, part of the preparation included a sample project to be estimated where all estimators had the same drawings and a standard price list, since each company works in different geographical markets across the country where material and labor prices vary. They reviewed the different estimating methods, conducted proposal reviews and shared comments for what turned out to be a very valuable exercise. In fact, the reach of the peer group among member companies is vertical with org charts provided so people in one company can reach out to their counterparts in another company when questions come up in between meetings.

The yearly owner summit is a two-and-a-half-day meeting with a packed agenda that includes a detailed review of each company's financial report. The members also make time to discuss emerging trends and technologies as well as personnel issues. The meeting is also highlighted by outside guest speakers; for instance, one recent meeting was addressed by the union president.

Visiting the facilities of other peer group members is also invaluable; Angie described the learning experience on one such visit. "We always feel like we are lagging behind in technology, but learned that we are really farther ahead than we thought in many ways after visiting peer members' facilities. We have also learned many things when peer company experts presented to the group. We learn the tricks that we wouldn't learn from standard training programs. That is valuable and gets us up to speed much sooner."

Joining a Well-Established Peer Group, continued

Angie notes that she can speak with peer group members about topics that she might not speak about with anyone else. The members of the peer group have become more than just peers; they are friends. It is an experience and support group that she will pass on to the next president of her company over time. She expects the peer group to provide excellent support for her successor.

DEFINING PEER GROUPS

A peer group is an organized assembly of like-kind firms. Such groups can be called leadership networks, business roundtables, leader circles, forums and others. In the construction industry, for example, contractors meet with other contracting companies of their relative size, type of work, number of employees, markets served, etc. Unlike a local construction association meeting, a peer group contains no competitors. The forum is usually national in scope, and the agenda is specific to member concerns as represented by a company president or owner.

THE BOARD OF DIRECTORS

A board of directors is a group of individuals who are selected to advise and guide an executive team on the direction, decisions and various functions within a business. Public companies are required to have a board.³ However, even when not legally bound to form a board, organizations can benefit from a board's knowledge and expertise, which can contribute to competitive advantage. An effective board protects the interests of the executive team, stakeholders and the larger organization while also providing perspective that can bridge gaps between these groups.⁴

Investing time and money to organize a board of directors or participate in a peer group can pay great dividends over time. In the following pages, you will find testimony from several sheet metal and HVAC company executives who have found their experience with peer groups to be highly rewarding in many ways. You will learn how peer groups work as well as how to get the most out of forming a board of directors or working with one that is already in place. One of the chief concerns is the general perception that peer groups and/or a board of directors are not for every company, and particularly smaller companies. Anyone running a business can benefit from some form of trusted advice from various sources. To ignore this is to lose advantage in the marketplace. Most people realize how important it is to understand the needs of their customers and prospects, but some miss out on understanding the needs of their own companies and, in fact, their own needs as the leaders of their company. It doesn't have to be "lonely at the top." In fact, it shouldn't be when you learn how many sources of contact and information there are "out there."

Are peer groups a growing trend? That is one question asked by a company executive in our interviews. If participation in peer groups isn't a growing trend, our position is that it should be. Why? We discuss the benefits in some detail

³ Addison-Hewitt Associates. (2006). A Guide to the Sarbanes-Oxley Act. Retrieved from: <http://www.soxlaw.com/index.htm>

⁴ Williamson, O. E. (1985) The economic institutions of capitalism: Firms, markets and relational contracting. New York: Macmillan

below, but among the reasons that peer groups, in whatever form, should be increasingly adopted is that the construction business in general and the sheet metal/HVAC industry are becoming more complex. The concerns for keeping up with technology, finding and training the right people, meeting regulations and working with new tools,

like BIM and robotic tools, to building more complex projects like LEED certified buildings and so on are challenges for everyone. It is nearly impossible for one person to understand the details of these issues and dozens more challenges that come up as a company tries to thrive and grow.

Peer Group Longevity: 27 Years and Counting

Dick Cramer, past CEO of Dee Cramer, Inc., isn't active anymore in the peer group formed in 1990, but he keeps in touch now as his son takes his place in the group. Dee Cramer, Inc. is an HVAC/sheet metal and service firm started in 1937 and is now entering the third generation, but it isn't the oldest company in the peer group. Nonetheless, the peer group stays young and vital as it keeps up on current trends in the industry and welcomes the next generation of leaders.

Dick says the format that the group follows now is the audit review. The group was wise enough in the beginning to use guidelines issued by the MCAA in the 1980s as a reference. "What we did initially, to develop some familiarity and trust, for our first meeting, we all completed the first three sections of the company analysis for our companies. We then presented and discussed it with the group. At the same time, we toured the host member's facilities, met his people and answered any questions they had. On the initial visits to the other companies, we completed additional sections and followed the same format. No audits were done the first time around. By the time we went around to everyone, we had completed all sections, and we were ready for our first audit. The host company had to update its sections and send out a complete peer book to everyone to prepare for the audit."

Gathering all the information was like preparing for an exam, because it meant the company being audited had to gather and prepare information that may not have been analyzed before. In the process, the leader may discover some new details about his/her company.

Example of an audit review:

Area of focus: Accounting system review, member reaction.

- Provide honest feedback concerning the detail of the information reviewed.
- Be very blunt in reviews, but all know each other well now and trust each other's opinions.
- The company leader under review may not always hear what he or she wants to hear, but hears what needs to be said.
- Relationships are respectful and honest.
- It wouldn't be worth the commitment if peers weren't blunt and helpful. It takes time and long trips to do reviews, which can last up to three days.

Peer Group Longevity: 27 Years and Counting, continued

Dick said that a major key to getting the most out of peer group membership is being able to give and receive good advice, then taking that advice and making changes to your company operations. He recounts two examples from his experience with the peer group:

Example 1:

He had a question for the group when it visited his shop. He was planning to put an addition on the shop, but wasn't certain as to how big the addition should be. The group toured the shop and later sat down with him to deliver its conclusion. The answer came back from the group that he didn't need to put an addition on the shop at all. He just needed to reorganize what he had in the shop already. And those actions provided the extra capacity and efficiency the company needed at the time. In fact, it remained another 10 years in the facility and never needed the addition even though volume increased.

Example 2:

Wondering how his company compared with others when it came to being state-of-the-art in its processes, it occurred to him that the peer group might help. As the largest HVAC company of their type in the region they served, most people within his company naturally accepted that it must also be state-of-the-art in its processes. Dick wasn't sure of that. He sent his shop foremen to visit other peer group members. They found many things that they could do to improve their own shop. This also started more involvement from different parts of his company with the peer companies, thus adding to the experience and value of peer group contact.

How did companies in the peer group do during the recession or other tough times? Dick said, "Everyone has his ups and downs, but the peer group was a source of support. Sometimes, the members had tough advice for each other during the recession." "All in all," Dick said, "peer group membership has been a good trip." He has not only helped his company survive and thrive into the third generation, but also has made some good friends and lasting relationships among his peers.

PEER GROUPS

Peer groups are not new to the industry. In fact, at least a small group of HVAC and sheet metal companies may have been some of the early adopters. (It is estimated that there are over 20 sheet metal/HVAC peer groups in existence.) We spoke with Richard J. Cramer, Sr., past CEO of Dee Cramer, Inc., who joined a group started with

other members of SMACNA in 1990. The group is still going and entering its second generation. We also spoke with the newest member of that group, Angela Simon, president of Western Allied Mechanical. Cramer and Simon have both been active, participating members in SMACNA as well. The Mechanical Contractors Association of America (MCAA) issued a guideline for peer group formation as early as 1996.⁵ FMI began

⁵ "The Management Audit: Peer Group Guidelines," Mechanical Contractors Association of America, Inc., Revised, 2016.

forming and managing peer groups from various construction trades around the country about the same time, the early 90s. The companies in these early peer groups have been tackling those challenges, growing along with the industry and still meeting on a regular basis.

“The answer came back from the group that he didn’t need to put an addition on the shop at all. He just needed to reorganize . . .”

Benefits of a Peer Group

If you meet a peer from your market area, you may have many common problems and ideas, but you are unlikely to share them since there is a good chance you both will be bidding on the same projects and seeking to hire the same people. Optimally, when forming a new peer group, members’ businesses have much in common, yet enough diversity to provide alternative ideas and solutions. The construction industry is characterized by closely held, local or regional firms, and managed by people who “grew up” in the business. A broader perspective from the outside can be invaluable. To work successfully, a peer group needs enough commonality to discuss collectively important issues, yet have enough diversity to get varying perspectives. Ensuring the right “firm fit” is critical to the success of the peer group.

“As iron sharpens iron, so one person sharpens another.” — Proverbs 27:17

The idea underlying peer group success is that many minds and voices are stronger than one. Peer group member companies have similarities as well as differences. One company may have experience adding a new fabrication shop while other members are still considering it. Sharing the details of that experience can be invaluable to

others looking to expand their fabrication facilities. The following is a list of some of the topics and business problems that peer group members may cover in their meetings. (Note that covering all items on the list in-depth could happen over the course of several years.)

Improve your business

- Learn about the best practices of the industry.
- Improve personal and professional development.
- Develop and evolve your management team.
- Find creative ideas and strategies.
- Develop strategies to compete with national firms.
- Create training and employee development programs.
- Learn how to grow your business profitably.
- Develop strategies to maintain the culture as you grow.
- Refine compensation programs.
- Cooperate on CRM/MIS and IT issues.

Network

- Make peer contacts at multiple levels within the organization.
- Develop business relationships on a national scale.
- Expand your vision:
 - Challenge your thinking.
 - Expand from an entrepreneurial structure.
 - Learn to expand your geographic markets.

Give and Receive Feedback

- Objectively and honestly critique and improve each member’s business.

- Conduct firm-to-firm evaluations and comparisons.
- Share common problems and solutions.
- Discuss compatibility of business development strategies.
- Create an “advisory board” of your peers.
- Address human resource issues like recruiting, hiring, training and retaining talent.
- Discuss ownership and transition issues.

Identify New Business Opportunities

- Learn about new GCs moving into your area.
- Discuss the potential for joint marketing and joint ventures.

Most any leader of a sheet metal/HVAC company reading the above list could pick several items from the “menu” above to work on, or he or she has already tackled many of the above within the company. In any case, it is a sample of the potential benefits of participating in a peer group. Having a group of peers to discuss the details of operational issues can be very helpful, but note that we use the word “participate” because it requires open discussion and information sharing to be part of a peer group. As we discuss further below, no bystanders need apply. That requirement is one of the main reasons not everyone will be asked to participate or want to participate in a peer group.

Forming Peer Groups

Whether you are considering forming a new peer group, adding a new member to an existing group or joining an existing peer group, there are many guidelines that most peer groups use to profile potential members. Peer groups are naturally exclusive for good reasons. Some of those reasons are legal in nature; for instance, members must not be direct competitors in the same markets to avoid the appearance of potential collusion. Just as importantly, most of the characteristics listed below

describe leaders’ personal management styles. Not all members in a peer group will share all the same characteristics, but they do need to be able to find common ground and goals.

Peer Group Membership Guidelines

Peer group members should have the following characteristics:

- Be a progressive thinker and innovator open to new ideas.
- Be willing to challenge ideas and be challenged.
- Feel he/she is a work in progress.
- Be an open communicator.
- Be willing to share all information.
- Demonstrate a history of financial success.
- Understand how the business works.
- Have a personal “chemistry” that works with other peers.
- Have a participative management style.
- Take the job, not himself/herself seriously.

The one characteristic that seems to keep people from joining a peer group most often is being willing to share all information.

From our studies of CEOs’ responsibilities and skills, successful leaders will possess at least most of the characteristics from the list above. However, it may seem like a lot to expect all of these characteristics to be a match all CEO/managers of the four to eight companies in the group. Yet, it does work. From our experience and the interviews conducted for this paper, the one characteristic that seems to keep people from joining a peer group most often is being willing to share all information.

Depending on the type of format, the amount of detailed information a peer group shares may vary, but every format expects peer members to participate and share experiences and information.

It is understandable that peer groups are not for everyone. There are different personalities that might not fit the requirements of the peer group, and there are different business situations. As we discuss elsewhere in this paper, there are other sources for finding business advice and feedback. The following are four top things peer group members should not do:

What *not* to do for peer groups

- Sit on the sidelines and be an onlooker.
- Avoid providing constructive insights.
- Skip doing the “homework.”
- Attempt to substitute representatives.

Typically, the peer groups consist of six to eight owners from noncompeting firms of similar size and capabilities. The groups are usually geographically diverse, with members coming from several states or regions around the country. Peer group membership requires commitment to improvement and a willingness to participate by sharing ideas and information.

The great concern for “fit” or “chemistry” in peer group formation reflects the need for open and frank communication and the desire for all members to benefit from the time spent in peer group meetings. While peer group meetings have a friendly, casual atmosphere, the formats are highly formal with ambitious agendas that require strong preparation between meetings. To attain this level of congeniality and effectiveness, at some point there should be a discussion of team dynamics. For peer groups that have carefully chosen their members, effective team dynamics should fall into place as the peer group gets down to work.

Team dynamics to maximize peer group effectiveness

- Clarification and consensus on goals and objectives.
- Frequency of meetings.
- Optimal meeting format.
- Organization and structure of the group.
- Rules of engagement for all members.
- Budgets and investment commitments.
- Participating peers from each company.
- Superior chemistry among the members.

Peer Group Meeting Formats

One of the first orders of business once a peer group has been established is deciding on a format for the meetings based on what the members expect to achieve in the peer group and the time they are willing to put into the group. While the expectation is that the format chosen will not change over time, the members may collectively decide to modify it as time goes on. The formats most commonly chosen include, but are not limited to, the following:

Best Practices Format

In the roundtable format, a peer group will discuss various subjects and present information from its own companies. The group determines the subject matter in advance, and preparation is the key to a successful discussion. The group has an opportunity to share processes, procedures, documents and knowledge regarding specific subjects. A member can also request specific information from the other members of the group as well as receive feedback on his or her own processes and procedures.

The roundtable format can also focus on best practices. With a best-practice orientation, the group discusses, identifies and documents specific actions or processes that represent a competitive advantage or an increase in efficiency.

Parallel

The parallel format is like the roundtable format in that it is focused on specific subjects for the identification of best practices. The primary difference is that each company brings a second member of the management team to the meeting. The second member may participate in the main discussion or attend a breakout/parallel meeting with “second members” from the other companies. For example, a group may elect to discuss marketing and business development. In this case, it would be wise to hold a parallel meeting that would include business development or marketing managers. During the parallel meeting, the second group usually presents its meetings’ findings to the leadership group at the end of its session. Typically, the second invitee is rotated based on the topics of interest and his or her area of expertise (business development, project management, operations, finance, etc.). The primary benefit of bringing a second manager along is that the manager leaves equipped with many ideas he/she will want to implement upon returning to the office. A secondary benefit is the network of peers the second members develop and whom they can call with questions and ideas that arise in the course of business.

Audit Format

The audit format is significantly different from the roundtable/best practice or parallel formats. In the audit, the company hosting the meeting is the subject of a business audit by the other members of the peer group. The group would review business operations, financial performance, processes and procedures. The peer group also interviews a cross section of employees from field foremen to

members of the management team. The group then compiles its findings into a presentation and presents them along with recommendations to the host. The company may then choose to incorporate recommendations accordingly. Because of this format, the process is significantly more involved and focused on the host company. The members of the group must be willing to open their organizations to scrutiny and input. However, the value to the host is that he or she is truly receiving peer input intended to make the company better, and the value to the auditing members is that they see and hear ideas firsthand from all levels of personnel in the host company.

Hybrid: A Mix of Formats

The mixed peer group format is, as one would expect, a way of picking from the menu of activities in an audit format and a best practices format. Ernie Menolds’ company, Ernest D. Menold, Inc., is a member of one such peer group that was started in 1999. It is a peer group that also demonstrates you don’t have to have many members to get the benefits of belonging to a group. The group consists of only four member companies. It started with five, but one dropped out. The group looked some time for another company to join, but never found anyone with the right fit. Companies are of different sizes, ranging from small to quite large. One thing all have in common is that they do work for industrial sheet metal customers. Ernest D. Menold, Inc. is exclusively a sheet metal contractor, while others do just a portion of their work in that area and provide other services like HVAC.

The bottom line, according to Ernie:
“Joining a peer group was the best thing I have ever done.”

Once a year they meet for 2 1/2 days to discuss economics, share and discuss detailed company financial reports and talk about open topics like

operations, financial information and growth opportunities. They also meet for a few hours at each SMACNA national meeting.

While their peer group meetings don't go into the detail of a full audit format, they do keep track of comparative financials and visit each other's sites. They also discuss operations and best practices where they have business commonalities. One thing they do very well, according to Ernie, is keep in touch via email and answer each other's questions. For example, Ernie's company needed to become compliant with ISO quality standards to work with a customer that required that its suppliers be compliant to ISO standards. He sent a message to someone in the group whose company had an ISO certified Quality Assurance Program. The result was that he received all the information needed so that he could write a QA Program for his company without incurring significant fees. The company's QA Program was accepted by the customer, it has been compliant every year since then. The bottom line, according to Ernie: "Joining a peer group was the best thing my father and I have ever done for our company."

OTHER FORUMS FOR PEER CONTACT AND RELATED ADVICE

Mitchell Hoppe, president of Melrose Metal Products, Inc., an industrial contractor and metal work manufacturer, is not a member of a peer group and does not have a board of directors for his company. This is more typical of the majority of small sheet metal and HVAC companies. That doesn't mean that some of the benefits of peer group membership aren't available to those with an entrepreneurial spirit. Mitch's approach to learning and being involved with a variety of sources of learning is testimony to the fact that there are many sources for advice and networking. His attitude and advice to others is, "Why would you not get engaged in your field?"

Mitch participates primarily in associations like SMACNA, at both the national and local levels, and the New Horizons Foundation (NHF). He started early in his career participating in technical committees and working on revising standards. He networks with other contractors that he has met at meetings, and he makes it a point to attend a lot of meetings. He has a philosophy of continuous learning and engaging with multiple knowledge sources. That includes looking at other industries through formal and informal social networks. He has also found an informal group of advisors where he has occasion to discuss business with other club members, and that provides perspectives for his business, even when the business is quite different from his. For example, he once had good discussion about project management and control issues. That conversation led to some new ideas about how to improve communications in his company, which included getting more people involved in the information flow. Networking helps his company keep up with technological and other trends.

Mitch is currently learning about robotic welding and gleans many other information sources mostly for marketing information, such as:

- News feeds and numerous publications.
- News from the operating engineers group is key to learn about the market and new projects etc.
- Real estate publications, particularly for new deals made.
- Industry publications, particularly "The Fabricator."

In this age of communication and information, it is sometimes paradoxical that there are so many ways to communicate and find information that one has a hard time sorting through it all for the information that is useful.

PEER GROUP ADMINISTRATION

The specific peer groups mentioned in this paper are currently self-administered. They do not have outside facilitators or moderators, and someone in their group voluntarily keeps track of data and arranges meetings and outside speakers as needed. A couple of groups have had facilitators in the early days of the group with mixed success. In one case, the facilitator/moderator wasn't familiar with the construction industry and issues for sheet metal/HVAC firms and therefore didn't offer much insight. Another group used a facilitator for the first few years, but then the group got to know and trust each other to the point that they became self-governing. In any event, it is important that the peer group have some rules and discipline so the members get the most out of the time spent in peer group activities and keep everyone on track. Some of the administrative tasks that are often required are setting up dates, locations and agendas for the meetings. Someone to keep records of financial data and make charts and tables of data like best practices or financial models is necessary for most group formats.

Peer Group Administration Needs – things to consider for self-facilitated or professionally facilitated groups.

- Maintain the “health of the group.”
 - Terminate bad members.
 - Resolve competitive issues that arise.
 - Mediate personality conflicts.
 - Monitor attendance/meeting preparedness issues.
- Recruit new members when groups experience attrition.
- Vet candidate for alignment of “fit” with the group.

- Continuously raise the bar to assure value.
 - Regularly solicit feedback on the value received by each member.
 - Provide industry insights.
 - Keep the agenda fresh and cover new topics.
 - Provide industry subject matter experts / guest speakers.
- Provide structure and leadership
 - Conduct meeting preparation, organization and accountability.
 - Oversee meeting logistics organization.
 - See that the group stays on agenda and on time.
 - Track meeting output and deliverables.

PEER GROUP AND BOARD OF DIRECTORS COMPARED

At first thought, most would agree that a board of directors and a peer group are very different entities. For instance, a BOD has fiduciary responsibilities, while a group of your peers provides advice on a voluntary basis, and the peers do not have to take that advice if it is not deemed useful or beneficial to one's business. The differences do not stop there, but first, we will look at some of the similarities between the two types of entities.

Company leaders who have a board and/or belong to a peer group both develop trusted advisors. Both peer groups and boards may solicit outside expertise from others as deemed beneficial. BODs and peer groups provide a diversity of ideas for running the business and take advantage of fresh thinking and different perspectives. And the members of both groups provide a source of feedback to the owner/manager/CEO on a variety of business issues; however, there are some differences between the advice one might seek from a board member versus a peer group member.

The reason a top executive might seek different types of advice from a board member than from a peer is largely a matter of the different functions of the two groups. There is also a third group, or a different type of board of directors with characteristics of both a board and a peer group, that is an outside advisory board.

While a peer group provides members with tactical and operational advice as well as shared experiences to solve and prevent problems, the BOD is concerned with the broader strategy for the company it serves. The board has a responsibility for financial stability, provides ethics oversight and advises and evaluates CEO performance. We discussed above the benefits and workings of peer groups. Now we will take a close look at the benefits of not only having a BOD, but also creating a high-performing board.

BOARD OF DIRECTORS: DEFINITION AND FUNCTION

Board of Directors: A board of directors is a group of individuals who are selected to advise and guide an executive team on the direction, decisions and various functions within a business. Public companies are required to have a board.⁶ However, even when not legally bound to form a board, organizations can benefit from a board's knowledge and expertise, which can contribute to competitive advantage. An effective board protects the interests of the executive team, stakeholders and the larger organization while also providing perspective that can bridge gaps between these groups.⁷ The board of directors may be made up entirely of internal executives and shareholders or also include outside directors (or independent directors), usually with special expertise and experience in different types of businesses. In the construction industry, boards are most typically used by larger companies.

Inside/Outside Board Members

Inside and outside are designations that describe a director's relative position with the company. Inside directors are stockholders, company employees or service providers that directly benefit from company operations. In addition to being a director, each has another independent relationship with the company. Outside directors are people whose only connection with the company is their membership on the board. If a consultant were elected to the board of a small construction company, he would be an outside director; but if, after a year, the company employed him in a management position and he or she remained on the board, he would "become" an inside director. The terms are merely descriptive and are used to clarify a person's relationship to the company; they are not formal titles.

OUTSIDE BOARD OF DIRECTORS

A board of outside directors is needed if owners intend for the company to continue after death or retirement of the owner(s). It is important to note that forming a board is not a sign of weakness on the part of the CEO. Rather, it is a realization that the company is ready for the next stage of growth, thus adding experience and breadth to the company.

Outside boards provide feedback to the top executive from trusted sources. Most businesses are legally required to elect a board by their authorizing state. And while public corporations have strict guidelines specifying the board's role, all

⁶ Addison-Hewitt Associates, 2006.

⁷ Williamson, 1985.

organizations can benefit from moving beyond the basic requirements.

Corporate bylaws provide job descriptions for the officers and board of directors. Board members are persons who stand in a special relationship of trust and responsibility in their obligations to the stockholders.

INSIDE BOARD OF DIRECTORS

In closely held companies like most sheet metal and HVAC firms, the lines are often blurred, as the CEO is often the majority owner and chairman of the board who appoints board members/shareholders who are often also employees. Inside boards can be efficient, especially in small, startup companies. However, they can also become ineffective at carrying out their fiduciary roles and not provide the proper sounding board for the CEO. Inside boards can also become more contentious, especially when family is involved, which is often the case in this industry.

An effective board protects the interests of the executive team, stakeholders and the larger organization, while also providing perspective that can bridge gaps between these groups. A board of this nature, performing at its peak level, can contribute directly to a company's competitive advantage.

Too few organizations in the construction industry fully leverage this resource nor take the time to attract top-level external talent to fill the board's seats. Businesses often lack the robust feedback mechanisms to provide data that can open a leader's eyes to the need for help. Except where legally required, the use of experts in the form of outside directors is still infrequent.

ADVISORY BOARD

An advisory board shares characteristics of both a formal board of directors and a peer group.

Peer group members in our interviews several times referred to their peer group as being like an advisory board; therefore, they didn't feel the need for a separate advisory board.

An advisory board may be a good choice for those who are not inclined to join a peer group or who have a specific reason to seek outside advisors without the need to establish a legal entity like a formal BOD. For instance, the owner/CEO may be interested in the question of whether it would be a good idea to expand the business into a market with new services. Advisory boards are often formed for specific business needs to get outside opinions and expertise. As such, choosing the members for the advisory group should be in line with the business challenge at hand. Although having an advisory board has often been described as like being in a peer group, there may be specific reasons to have both at some point. Since advisory groups are usually made up of members with various backgrounds that may not include your industry at all, they offer different perspectives than peers in the same business.

When is it necessary to consider a board?

- When executives graduate from owner/operators to predominantly an ownership role.
- When second or third generations take over company oversight, accountability and support.
- When depth of leadership is limited, and there are significant risks if something were to happen to the current CEO.
- When you have distributed ownership, and it's not just the CEO who is invested in the company.
- When embarking on a major change or initiative (e.g., entering new markets, merger, etc.).

BOARD OF DIRECTORS BENEFITS (DEBUNKING THE MYTHS)

There are a few misconceptions or myths surrounding the idea of forming a board of directors for those nonpublic, closely held companies that aren't required by law to have a board. Most of these executives head up smaller to midsized companies. As noted above, one of the first things they may feel when the idea of forming a BOD comes to mind or is brought up is that they will somehow be admitting they need outside help and/or will be giving up control of the company. Similarly, CEOs may feel they are sacrificing their independence by empowering others to oversee parts of the business. In fact, it is the other way around. The president/CEO should gain considerable advice and added sets of eyes with a different perspective on the activities of the company. A board is also charged with protecting the interests of the stockholders, which includes assuring that the business performs well financially and otherwise.

The president/CEO should gain considerable advice and added sets of eyes with a different perspective on the activities of the company.

Smaller companies may think the idea of a board of directors is not for them at all. It is true their challenges may be different in scale, but they should still consider whether a board will help them make wise decisions and guide the future of the company. Another myth that may negatively influence the decision to form a board of directors is the idea that it will be difficult to find qualified candidates for the board. This is rarely the case as potential outside directors can be found in the community from leaders in similar businesses, bankers, accountants, retired CEOs, etc.

Sometimes the feeling that the CEO/president of the company might lose independence is due to being asked by the board to step up the game and be more accountable. One might turn this idea around and see it as the CEO/president directing the board to make him or her more accountable and disciplined. The following is a list of some of the primary activities of an active BOD that help improve a company:

- Transform a company by utilizing collective experiences and different perspectives.
- Offer experience and opinions from a diverse group of professionals.
- Develop organizational discipline.
- Create a culture that adequately mitigates risk exposures.
- Drive firm accountability.
- Provide feedback to the CEO.
- Drive perspectives and strategies.

The BOD may also be charged with evaluating the CEO/president's performance. An honest and thorough evaluation should be valued by the CEO, as without the board, the primary feedback the CEO receives is from the marketplace. As a worse-case scenario, FMI found that one of the primary root causes for contractor failure was "Excessive Ego":

The concept of Excessive Ego embodies a constellation of attitudes and beliefs that, while in many ways can be pointed to as a leader's root cause for success, they are also all too often the root causes for leading the company to failure. The concept of two edges of a sword could not be more applicable. Pride, arrogance, over optimism and blindness to realities (to name just a few of the traits) often lead to a failure to develop a team, an inability to get candid feedback, and a sense of invincibility.

There are many ways in which an excessive ego can express itself that lead to a distorted perception of the market, the company's capabilities and the leader's personal needs, any of which put the firm at much greater risk of failure.⁸

Excessive ego is just one of many reasons that can lead to failure of the business. In an updated study of risk factors leading to company failure, FMI lists the top-five factors:

Factor #1: Poor Strategic Leadership

Factor #2: Excessive Ego

Factor #3: Too Much Change

Factor #4: Loss of Discipline

Factor #5: Inadequate Capitalization⁹

Making sure that the company is managing the risk of the above factors is among the top oversight responsibilities of a board. However, to benefit from having a board or outside advisors, one must work to put together a board that will deliver peak performance.

HOW BOARDS CAN TRANSFORM ORGANIZATIONS

Appreciation for the importance of greater accountability and discipline is now common in public corporation governance. Recently, the Office of the Comptroller of the Currency proposed new risk standards to bring greater stability to the U.S. financial sector. Driven by a desire to avoid a repeat of the near meltdown in the fall of 2008, the board and CEO must assure that the organization

has a suitable risk management framework in place. Further, it must assure a culture exists that adequately mitigates risk exposures.

A well-functioning board can also be an outstanding tool to pose the hard questions to a management team.

Responsibility for these measures extends personally to directors and the CEO, potentially resulting in their removal if adequate measures are not taken to control risk. While this might feel excessive for closely held concerns, it underscores how driving accountability deeper into the organization will likely lower risk. In turn, that will likely result in improved performance. Unfortunately, businesses lack the robust feedback mechanisms to provide data that can open a leader's eyes to the need for help. Except where legally required, the use of experts in the form of outside directors is still infrequent in the sheet metal/HVAC industry.

When well utilized, directors earn their fees multiple times over through the posing of a particularly penetrating question.

For many years, there was no objective research supporting the notion that the presence of outside directors working together on a high-performing board actually generated value for the business. However, a recent study completed by Ronald Anderson and David Reeb¹⁰ examined the influence that active, effective outside boards had

⁸ "Why Contractors Fail," FMI, February 2007.

⁹ "Why Large Contractors Fail – A Fresh Perspective," FMI Quarterly, Q2 2016.

¹⁰ "Board Composition: Balancing Family Influence in S&P 500 Firms," Administrative Science Quarterly, 49, 2004.

on the performance of family-founded businesses in the S&P 500. Anderson and Reeb conclusively showed the impact to be overwhelmingly positive. Firms where independent directors balanced the family influence created higher shareholder value as well as greater EBITDA. Conversely, companies where the founding family overwhelmed outside directors achieved significantly lower returns.

A well-functioning board can also be an outstanding tool to pose the hard questions to a management team. The members' experiences are unique and different from those inside the company. As such, their questions tend to spur greater depth of thought. The saying "Familiarity breeds contempt" is at work in situations like this. From time to time, management teams struggle to ask each other the most sensitive (and often most important) questions. The independence of a director makes it easier to ask the difficult questions. Further, management is often more open to receiving the tough questions when they are posed by an outsider. When well utilized, directors earn their fees multiple times over through the posing of a particularly penetrating question.

A RESOURCE FOR UNDERSTANDING

Senior leaders routinely contact outside directors to seek counsel on controversial and perhaps highly sensitive internal issues. One executive said it this way: "It provided a contact outside of the business—yet knowledgeable of the business—as a resource for understanding and communicating tough issues. Their vested interest helped me find better solutions for all concerned parties." As such, directors who can channel this energy in a positive manner are an invaluable resource to an organization. A diverse board brings with it a wide set of life experiences, values and beliefs. Even social interaction between executives and directors invariably leads to a stretching of one's comfort zone.

Sacred cows and pat answers often emerge as simplistic and narrow-minded. Soon, possibilities seem more numerous. Smart, successful leaders tend to have that type of impact when stepping into a new environment; they respectfully challenge the status quo. And well-chosen outside directors certainly fit that bill.

This broadening of perspective can be especially beneficial for smaller firms. The owner of a small company (fewer than 100 employees), for example, said this expertise helps guide his business in directions that it might not otherwise see. He continued, "It can change the dynamics of the organization, serving to keep a smaller businesslike mine (that lacks the resources to stay engaged in larger scale issues) informed about vital issues looming on the horizon."

Fresh perspective, offered in an atmosphere of mutual trust and respect, resulted in positive change.

Consider this case in point: One of the most important factors for a contractor is having a clear, accurate and timely picture of a given project's financial status. At one firm the books were closed about six weeks after a given month end — far too late to glean any meaningful intelligence as to how best to improve an in-progress job. This practice led to a lengthy board conversation. One director shared his experiences with large companies that report earnings within a week of month end. This dramatically changed the firm's perspective about what was possible relative to early financial reporting. It ultimately led to implementation of daily profit and loss tracking. In this instance, the firm did not know what it didn't know — a potentially fatal business flaw. Fresh perspective, offered in an atmosphere of mutual trust and respect, resulted in positive change.

It is hard for many leaders in the construction industry to ask for help. They may be fearful of

allowing a board of outside directors to “peek under the tent” of their life’s work. Some cannot fathom relinquishing control — even while still owning 100% of the equity. Others feel little sense of urgency. “We’ve made it this far. Why change?” Yet the most frequent reason heard is that they never seriously evaluated the benefits and costs of an independent, outside board of directors.

Active boards are neither a panacea nor a good fit in every situation. They require a great deal of time, energy and money to deliver a positive return. Success is uncertain. However, the possibility they represent is simply too great an opportunity to ignore. Ownership, in concert with management, should make an intentional decision whether to empower an outside board.

BOARD MEMBERSHIP

Many organizations select board members in a haphazard fashion and wind up with disappointing results. Leading organizations understand that who sits around the table is the most critical piece of board development. The best-designed boards have members with complementary knowledge, skills and abilities, rather than large overlaps among individual members. In addition, the most successful boards have members who are independent from the organization (i.e., not employed or closely affiliated with it).¹¹

As one research participant from a large, publicly traded firm explained, “We don’t need a whole bunch of people on the board with industry knowledge because, hopefully, the CEO and the management team already bring that knowledge to the table.”

The value of outside perspectives can be priceless. When properly assembled, the directors bring a slate of talent that can help the business achieve its long-term goals and realize its vision.

In addition to membership composition, leadership also plays a critical role in the board’s success. While CEOs often serve as board chairs, the overall research evidence is mixed on whether this is an effective tactic or not.¹²

Each organization will need to make its own decision regarding board leadership, and leaders must not take this decision lightly. Depending on the organization and its structure, vision and business goals, it may be more or less effective to have the CEO or an external member serve as chair. Alternately, a lead director is selected from the pool of outside members to work with the CEO/chair to ensure effective governance and proper board focus.

Too often, organizations speed through the board formation process without giving it the intentional focus it needs and deserves. When done right, this process ensures that the right people are sitting around the table and that they can offer a variety of different perspectives and leverage diverse knowledge and experience.

- Characteristics to look for in selecting board members
 - Experience from wholly different industries.
 - Expertise in financial analysis.
 - Complementary knowledge, skills and abilities.
 - Commitment to support the organization’s vision.

¹¹ Hermalin, B. E., & Weisbach, M. S. (2001). Boards of directors as an endogenously determined institution: A survey of the economic literature (No. w8161). National Bureau of Economic Research.

¹² Van den Berghe, L. A., & Levrau, A. (2004). Evaluating Boards of Directors: what constitutes a good corporate board? *Corporate Governance: An International Review*, 12(4), 461–478. doi:10.1111/j.1467-8683.2004.00387.x

LINKING THE BOARD TO YOUR COMPANY'S VISION AND MISSION

Effective boards serve a vital role by keeping an eye on the horizon and encouraging the organization to think long term about its vision and business objectives. This includes encouraging innovative thinking throughout the organization, driving strategy, assessing and mitigating risk and fostering financial health.

Today's boards, in particular, must tackle the topics of talent development and succession planning. Best practices suggest that boards should be proactive in planning not only for the CEO's succession, but also for future board members.¹³ Furthermore, boards can play a key role in appointing committees made up of board members and senior staff to develop new human resources policies and practices. Frequently, human resources experts are actively involved in board meetings and decisions.

Finally, the board needs to embody the role of steward of policies and procedures by following a Noses In, Fingers Out ("NIFO") approach. NIFO is one of the most critical aspects of directorship. Far too often, we see boards that operate like a shadow executive team, second-guessing the CEO and delving into the implementation details as if leading day-to-day affairs. This is most prevalent when the outside directors are either current or former CEOs. It is vital to understand that the role of director is very different from that of CEO. Ignoring this fact can create tension and conflict and erode trust in the boardroom. The board should also refrain from interacting with employees without the explicit knowledge and permission of the CEO.

WHAT DOES A BOARD OF DIRECTORS DO?

- Facilitate orderly changes in strategic plans, expansions, market changes, etc., that require advanced planning to anticipate problems and provide solutions.
- Provide corporate objectives defined in a strategic plan as a basis for measuring the performance of top managers. The board can then question the CEO about results and needed improvements.
- Conduct corporate policy reviews and provide guidance.
- Prepare for meetings required in advance.
- Be engaged and focus energies on organizational goals.
- Participate as a truly effective team at the executive level.
- Encourage innovative thinking throughout the organization.
- Drive strategy.
- Assess and mitigate risk and foster financial health.
- Head up committees reviewing specific topics.
- Drive talent development and succession planning.
- Play a key role in appointing committees made up of board members and senior staff.

¹³ Deloitte. (2014) Business succession planning: Cultivating enduring value. Retrieved from <http://www2.deloitte.com/us/en/services/consulting.html>

TEAM DYNAMICS TO MAXIMIZE BOARD EFFECTIVENESS

When properly formed and leveraged, a board of directors can help transform a company by utilizing collective experiences and different perspectives. Building, developing and utilizing highly effective boards takes the right people, positive group dynamics, proper evaluation, continual adjustment and a mentality that the group's purpose is to better the organization itself. It also requires an intentional, focused process that's clearly aligned to the organizational vision.

Each organization will need to make its own decision regarding board leadership, and leaders must not take this decision lightly. Too often, organizations speed through the board formation process without giving it the intentional focus it needs and deserves. A primary goal when setting up a BOD is to ensure that management and ownership break out of the project-oriented paradigm and begin to ask different questions. That is one reason that outside directors should come from various backgrounds and industries to provide a diversity of ideas. Those serving as board members must maintain their focus on strategic issues versus the tactical issues more appropriately a part of daily management as well as peer group feedback.

To assure that both the board and the CEO stay on task, develop an annual calendar that includes the basic elements of an agenda for each meeting and the year overall. Without careful consideration of the structure and format of the meetings, they can easily deteriorate into unfocused, frustrating and ineffective events. The most productive meetings require advanced preparation and engaged board members who can focus their energies on organizational goals.

Construction Industry BOD Example: Day & Zimmerman

Featured in a presentation at The Private Company Governance Summit, 2014

- The company is family-owned, privately held and in the construction industry
- The company has a tiered governance structure
- Yoh Family Business Council/Voting Trust
 - CEO, also serves as chairman
 - Leadership Council
- Board of Advisors
 - Board of Advisors' Purpose
 - Advise the CEO
 - Review and approve promotions, specifically for family members
 - Meet with the Family Business Council annually about succession
 - Specific projects
- The board has seven members with intentionally diverse skills and backgrounds
 - Company CEO as chair
 - Includes CEO's family
 - Includes C-suite members from other companies
 - Includes technical experts
- The board meets five times a year

ADMINISTRATIVE CONSIDERATIONS FOR BOARDS OF DIRECTORS

Initially, board meetings might be held monthly to establish new board and board member relationships as a team and transition the company to a working board. Later, quarterly or semiannual meetings may suffice. Meetings should be held in a neutral location, away from the office to allow for full focus on the subject at hand. Most meetings will be held to a half-day, allowing more time if needed.

Boards need a succession plan just as companies do. It is a good idea to keep a running list of potential board members to make it easier to find replacements when necessary. Just as the board should evaluate the CEO, the CEO should evaluate the abilities and fit of prospective board members. For instance, most should have a working knowledge of finance—it may occasionally be necessary to remove board members for lack of performance or other reasons.

Having clear bylaws and a known structure will allow for the most effective use of time as well as avoid unnecessary discussions about procedure or off-topic subjects. Often boards and CEO/presidents will challenge each other to be more concerned about the details of finances, strategy, human resources and other important issues. While this may be a challenge to the lone CEO used to doing things his or her way, in time the efforts will pay off in a better understanding of many aspects of the business and input from trusted advisors to back it up.

CONCLUSION

After looking at the various ways that an owner/manager can seek advice and participate in forums to help run the business, one should conclude that there is little reason for it to be “lonely at the top.” In fact, one might conclude that it can even be crowded at the top. However, it is more likely that only a small percentage of owners in the HVAC/sheet metal business will take advantage of all the options we have detailed above. If we have convinced executives who don’t utilize any of the above now to take advantage of at least one or two of these ideas, then we have made progress. As Mitch Hoppe says, “Why would you not get engaged?” Or, as Randy Novak echoed, “I have never met anyone that said it was a bad idea to be in a peer group. Anything, any form of peer group, is better than nothing, than not giving it a try.” These sentiments were heard from everyone we spoke with about peer groups and boards as well as the many executives in the construction industry that FMI has worked with over the years.

So why would you not give it a try? Some have, and haven’t found the experience to their personal liking, or maybe they started in a group that was a poor match. As noted above, many are understandably reluctant to share ideas or open their books to others. While some may feel they are being protective of their company, most might find that if they aren’t taking advantage of outside advisors, associations, peer groups and/or a board of directors, they are not doing the best they can to grow their business profitably. They are also missing out on a lot of potential friendships and advice. Yes, it is true that most of the opportunities in this paper require an investment of time and money, but the overwhelming response from industry firms indicates it might be one of the best investments an owner can make.

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