

Partners **IN** PROGRESS

SMACNA & SMWIA—Building A Future Together Vol. 6 No. 4

Focus on
Workforce

Plus 2008
Partners In Progress
Conference Wrap-Up

HVAC
Industrial
Architectural
Metal

EXPERTISE

PERFORMANCE • TRAINING • STANDARDS

SMACNA





CONTENTS

Ante Up	2
Get A Life	3
Solving The Puzzle	5
Creating Solutions	8
What's Next	10
Seen and Heard at PINP Conference	13
Knowledge Is Power	14
¿Estás Preparado? (Are You Ready?)	16
Enter the Dynamic Duo	19

Partners In Progress

VOL. 6/NO. 4

MICHAEL J. SULLIVAN
RON PALMERICK
CO-PUBLISHERS

KAARIN ENGELMANN
EDITOR@PINPMAGAZINE.ORG
EDITOR

DEBORAH APPEL-BARKER
CREATIVE SERVICES

ERIC WESTBROOK
COVER ILLUSTRATION

Partners in Progress is a publication
of the Sheet Metal Industry Labor-
Management Cooperation Fund.

All contents ©2008 by the Sheet Metal
Industry Labor-Management Cooperation Fund,
P.O. Box 221211, Chantilly, VA 20153-1211.

For subscriptions and address changes,
visit www.pinp.org.

CANADA PUBLICATIONS AGREEMENT NO. PM40063731

PRINTED IN THE U.S.A.



Ante Up: Addressing Partnership

With all of the brainpower and talent that gathered at the fifth biannual Partners in Progress Conference and who work daily as part of the organized sheet metal industry, we hold unachieved promise. SMACNA and SMWIA must work together as partners to harness this potential and reach greater heights together.

It is not enough to talk or think about best practices or reminisce about the days when we dominated most markets. We are obliged to sift through the outstanding ideas and proven solutions offered at the conference and put them to work locally.

For example,

- SMACNA, SMWIA, and several business associations and unions in New Mexico did not wait for the shortage of skilled workers entering the building trade industries to become critical. Instead, they invested money and time into the “Trade Up” recruiting campaign. (See page 6.)
- Reflecting our keynote speaker Mark Breslin’s admonition that market expansion is limited by the amount of skilled supervision available, Local 85 in Atlanta has added foreman training classes to its fourth year apprenticeship curriculum.
- Understanding that one way to grow markets—and increase opportunities for both contractors and the Local—is bidding directly, the sheet metal industry of New York has created the Airside Direct campaign (*sheetmetalny.com*).
- Sheet metal contractors and Local 9 in Denver recognized that reaching millennials—born between 1980 and 1995—requires new strategies and effective use of technology. (See article on page 3.) They created the *SheetMetalPartnership.com* website containing a plethora of videos that speak directly to young people.
- Preparing for greater and greater numbers of baby boomers to retire, contractors such as Yearout Mechanical, Inc. and JB Henderson Construction Co., Inc. have implemented succession plans to ensure that a new generation of leadership can press home the advantages of our partnership. (See story on page 10.)

These and many other contractors and locals are taking responsibility for creating market expansion opportunities, solving workforce issues, putting expertise into action, and creating their own best practices.

We encourage you to read this issue (and review the conference presentations at pinp.org/smiw/schedule08.cfm) with that in mind. Indeed, go further by inviting members of the Best Practices Market Expansion Task Force to bring their message to you via a Road Show.

Then find at least one thing that contractors and locals in your area can do to create solutions that address your local needs. It will make all the difference when we measure our progress at the 2010 Partners in Progress Conference.

Michael J. Sullivan

Michael J. Sullivan,
SMWIA President

Ron Palmerick

Ron Palmerick,
SMACNA President

Get A Life!

Only if the organized sheet metal industry can find a way to motivate the youngest generation of workers will market expansion be possible.

by Kaarin Engelmann

Nathan Dills, vice president for Midwest Fabricators, LLC in Oklahoma City, Okla., has experience dealing with young people—millennials, or Generation Y—from his days as a prosecutor in the Oklahoma County District Attorney’s office.

Now that he is working for his family’s sheet metal business, his focus has shifted to how to attract this generation—born between 1980 and 1995—to the sheet metal industry, recruit them into apprenticeship programs, and continue to motivate and retain them. It’s the same quest pursued by many in the industry.

“This youngest generation is large and has a different way of doing things,” advises Robert Wendover, managing director of the Center for Generational Studies.

Dills agrees. “They have very different expectations from my generation. They want everything NOW! It’s about instant gratification. You can’t ask them to pay their dues like we did.”

According to Dan Rose, training director for Sheet Metal Workers’ Local #88 in Las Vegas, that attitude is not necessarily a bad thing.

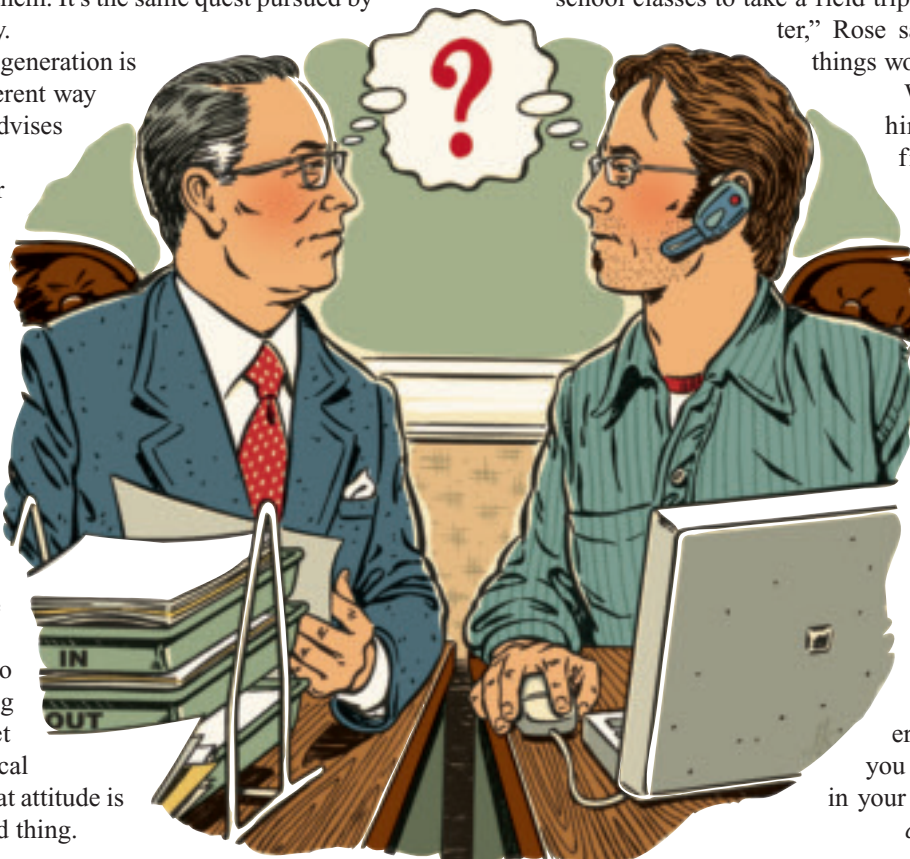
“To go along with their impatience, they are willing to take on responsibility and challenges, as long as there are opportunities for advancement. Further, they are willing to work longer hours to achieve a particular lifestyle,” he adds.

So how can you get the attention of the most diverse, wired, impatient, entitlement-oriented, skeptical, demanding, convenience-oriented, fun-loving generation in U.S. history?

“We tried advertising in the local paper twice a year, holding campus and community job fairs, and inviting high school classes to take a field trip to the training center,” Rose says. None of those things worked.

What did work was hiring a marketing firm that could reach the right demographic. “We had a great response to their radio and tv commercials, billboards, press releases, truck and van wraps, and website,” Rose says.

Regardless, about 90% of apprentices in the program heard about it via word of mouth. “We call it ‘birds of a feather,’” Rose says. “If you have young people in your program who are a
continued on page 4



continued from page 3

perfect fit—in terms of being motivated and working hard, you can bet they have similar friends.”

Local 88 developed a \$100 finder’s fee to help recruit top applicants into their apprenticeship program. It is awarded to any member of Local 88 who refers potential applicants that are accepted into the program and complete the probationary period.

“Such a fee is minor compared to the cost of finding that applicant on your own,” says Mark Breslin, CEO of Breslin Strategies.

Getting apprentices in the door is only the first step. Next, it’s necessary to find ways to get them to perform. “Strategies you use with baby boomers or members of Generation X won’t work with millennials,” Wendover says.

One of the characteristics of this group is they want to get answers to their questions and make their own choices. “They will question you. If you want to motivate them, take time to explain your reasoning. They expect to be told why. As much as possible, focus on the outcome rather than the process and let them be ‘free thinkers,’” Dills says.

According to Wendover, motivation also comes in the form of recognizing and praising millennials’ contributions. For instance, Midwest Fabricators makes a practice of making that recognition public, in front of their peers.

Dills attributes millennials’ need for immediate, positive feedback to the fact that this group was raised by over-protective parents. “They have always been told they are winners—even if all they did was ‘participate.’”

He encourages anyone working with millennials to break the “everyone is a winner” cycle. “It’s important to let them fail sometimes. They can learn a lot from their mistakes.”

Dills adds that it doesn’t help to be harsh or tell them you are disappointed in them. “You need to be a cross between a therapist and a boss. Give them clear, prompt feedback.”

Further, based on Dills’ experience, he advises forgetting about long-term incentives. “They are of very little use as a reward for these kids. Create shorter-term incentives with small rewards that are job specific.”

Other rewards can be in the form of opportunity. “This generation is interested in furthering their education,” Rose says. “Many apprentices also want to complete an associate’s or bachelor’s degree.” Rose’s JATC works with the College of Southern Nevada on such efforts.

What are some other ways to keep millennials on the job? “You can’t cookie cutter motivators for the younger generation,” Dills says. “But keep in mind, they like to keep up-to-date with new technology—both on the job and off.” Dill adds. “They are accustomed to getting their information through the Internet, podcasts, and instant messages from their peers. That means they want all information immediately.”

He advises giving them information via their communication channels. “Thus, it might be time for you to learn to text.” In addition, he says, there’s an advantage to expanding this concept to training. “Use multimedia. Entertain them with short, strong, and flashy presentations that get your point across.”

Most important when dealing with millennials is to be flexible and focus on life balance. “They will not eat, breathe, and sleep the company. They are too busy with their lives,” Dills says. “They want to fit work in around their schedules.”

As a result, millennials want to get the most done in the least amount of time because they perceive they have other things to do. “This is, by far, the most difficult thing for managers to deal with,” Dills says. “Young people are used to having a say in the scheduling of their lives. If you give them some sense of control, they are more likely to respond.” ■

Engelmann is editor of *Partners in Progress*. There was a breakout session at the 2008 Partners in Progress Conference on Communicating and Motivating Your Millennials. Download the presentations at pinp.org/smiw/schedule08.cfm.



Then and Now

Thirty years can make a serious difference, especially with the pace of technological change in North America. As baby boomers retire and millennials enter the workforce, it’s vital to understand where each other is coming from in order to get to the destination of a vigorous sheet metal industry, with a growing workforce and the jobs to keep it busy. The table below generalizes the characteristics of a 22-year-old in 1978 and another one 30 years later, in 2008.

1978

Married
Buying a house
Children on the way or being discussed
Stayed at the same job for most or all of life
Had to be forced to learn how to operate a computer

2008

Single
Living at home
Never held a full-time job
Will not stay at the same job for whole life
Using a computer since they were young
Grew up where everybody is a “winner”



Solving the Puzzle

Find out how different areas of the country are dealing with their workforce issues.

By Cari B. Clark

National market share for the unionized sheet metal industry slipped from 62.4% in 1984 to 37% in 2007. To remain competitive and expand, labor and management partners must work together and find innovative solutions for both national and regional problems. Toward this effort, representatives from both labor and management met in regional sessions at the 2008 Partners in Progress Conference. Later, Mark Breslin, noted speaker on union-related issues and CEO of Breslin Strategies, presented a recap of the breakouts and discussed implementation strategies.

continued on page 7

Remove Barriers— Trade Up

When the labor shortage reached a critical point in New Mexico, three contractors associations and their respective labor unions decided to break down barriers and cooperate to recruit skilled workers.

“Working together just made sense for the New Mexico Sheet Metal Contractors Association, Sheet Metal Workers Local Union 49, Mechanical Contractors Association of New Mexico, Plumbers & Pipefitters Union Local 412, and the National Electrical Contractors Association of New Mexico, International Brotherhood of Electrical Workers Local 611,” says Rob Biedermann, president and COO of JB Henderson Construction in Albuquerque.

Together they established Trade Up New Mexico, a program designed to promote the construction industry, generate more interest in apprenticeship programs and increase membership in the respective unions.

Trade Up is based on a philosophy that every student—every person—has the opportunity to improve his or her position in life through finding a personal coach, learning new skills, and giving back to the community.

It includes an interactive website (*tradeup-nm.com*)—complete with video podcasts—and electronic and printed materials for educators, students and parents. “The program has been very well received by school counselors in the Albuquerque Public Schools and Las Cruces Public Schools,” says Tom Garrity with The Garrity Group Public Relations, which is overseeing this initiative.

“Awareness around the state has been very positive as school districts request materials and presentations. It is clear we’ve tapped into a real need as students are looking for ways to earn immediate income while working on premier projects around our state,” he adds.

Another reason for the program’s success, Biederman says, is that students can earn an associate’s degree alongside their apprenticeship training. He encourages other chapters and locals to cooperate for success. “Now is the time to make a difference.”



continued from page 5

Why regional sessions?

While different areas of the United States and Canada often face similar construction workforce issues—including replacing the baby boomers as they retire, specific market conditions and practical solutions cannot always be generalized.

Some areas, such as Oklahoma City, already have significant labor shortages, while others can't keep everyone employed. In Indianapolis, contractors are scrambling to find welders, whereas in the Northeast, there aren't enough draftsmen or specialty workers. One Western local was so concerned about its labor shortage it hired a professional recruiter.

Read on for some solutions that you can apply at home.

Recruiting Apprentices

“One of the biggest challenges facing the future of the industry is the need to double its apprentices today just to keep the status quo,” contends SMWIA General President Mike Sullivan.

In response, SMACNA chapters, SMWIA locals, and JATCs across the country are using innovative recruitment strategies. Some have had great success, including Local 10 in South Dakota, which has twice the number of apprentices it had last year. Suggestions from various regions for duplicating South Dakota's success include:

- create a forum for younger sheet metal workers to market to their contemporaries—the Western Region reports that 90% of its members come via word-of-mouth;
- pay bonus money to members who recruit successful apprentices—this works because people who are a perfect fit tend to have similar friends (think “birds of a feather”);
- use Internet resources, such as *Facebook* and *YouTube*, to post content targeted both at young people and at gatekeepers (such as counselors and parents);
- take online applications and accept them continuously instead of annually;
- offer internships to vocational high school juniors and seniors; and
- enable apprentices to earn associate's or bachelor's degrees via apprenticeship.

Breslin commends these efforts. “It's necessary to make changes if you want union membership and market share to grow.” Other suggestions he offers include:

- put more emphasis on recruiting at junior colleges—over high schools—in an effort to find higher-caliber applicants;
- diagram career paths for new entrants so they gain a clear idea of where they are headed;
- increase wages for apprentices \$3 or \$4 per hour—this has worked in Orange County, Calif., Local 105;
- offer pre-apprenticeship programs; and
- run joint labor-management job fairs or industry nights. (Read about Florida's success with such events in “Where Have All The Workers Gone,” *Partners in Progress*, Fall 2007.)

Other Labor Solutions

Recruiting new apprentices is not the only way to create workforce solutions.

Many areas are adjusting journeymen-to-apprentice ratios. For example, whereas the ratios in Indianapolis' Local 20 are 3:1 or 4:1, in Wisconsin's Local 18 and Kansas City's Local 2 ratios have dropped to 2:1, with contractors allowed more and fifth-year apprentices not counting against their ratios. New Mexico has taken it even further, eliminating ratios in 2004.

However, according to Locals across the country, ratios are less of a problem than contractor utilization. “We have to ask ourselves: Do we think of apprentices as an asset or as a pain in the ass?” Breslin says.

“Putting apprentices to work makes us more competitive because it reduces crew costs to bring them more in line with open shops' costs,” he adds. It also helps create a qualified workforce.

Do we think of
apprentices as an asset
or as a pain in the ass?

Changing portability agreements is helping some areas combat labor shortages. Whereas Local 24 in the Great Lakes Council has a four-man portability rule, other locals trade equally. In Wisconsin, members can travel statewide. Several regions are looking to waive the two-man rule in favor of full portability.

Breslin also recommends removing barriers for retirees to work during peak periods and allowing them to help with mentoring and training. Further, he recommends leadership development—particularly for foreman and superintendents—as the best way to solve workforce issues.

“If I were king for a day, I would put all of our money into foreman training. Contractors do not build a business on apprentices,” Breslin says. “Contractors can only bid what they can manage.”

Cooperation is the key to almost all solutions. Working closely with JATCs, sponsoring joint advertising and recruiting campaigns, and monthly labor and management meetings all help.

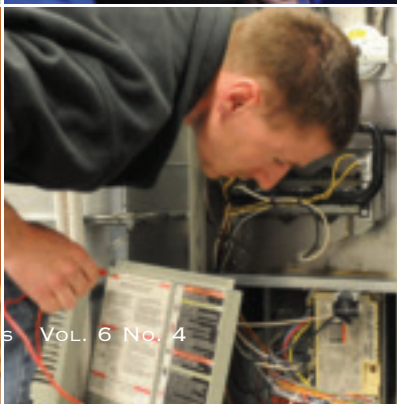
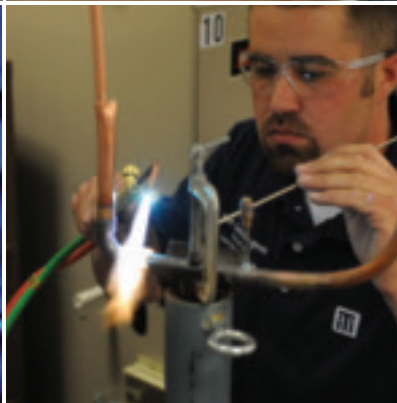
“Sheet metal is a great industry with good opportunities,” Breslin says. “If management and labor in every region implement just one new idea this year, we can turn around the numbers.” ■

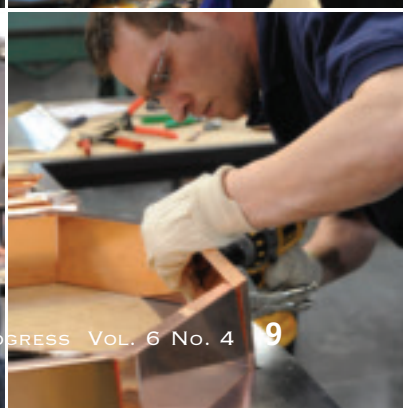
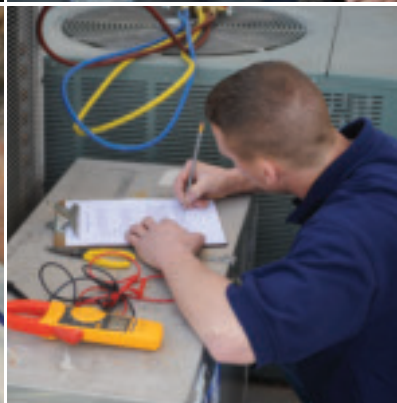
Clark is a freelance writer based in Springfield, Va. Download Breslin's presentation at pinp.org/smiw/schedule08.cfm.



CREATING SOLUTIONS

Record-breaking attendance at the 2008 Partners in Progress Conference brought together labor and management partners willing to face challenges and create solutions. Whether you were there in person—or in spirit—this issue covers some of the conference’s innovative ideas, making it easier to bring them home.





What's Next?



Eric Westbrook

An employee stock ownership plan could make it possible to turn over the reins with confidence.

by Kaarin Engelmann

Although the largest handover of leadership—as well as the largest transfer of equity—in the history of the United States or Canada is imminent, too many owners of the baby boom generation have no succession plan. Without one, they risk losing everything they’ve invested in their companies, both personally and financially.

Why the oversight? “People don’t want to deal with their own mortality,” says Mark Breslin, CEO of Breslin Strategies and speaker at the 2008 Partners in Progress Conference.

Often owners assume that the people around them—whether their children or their employees—know what should happen even though it has never been discussed, Breslin notes. “A succession plan for your business should be part of your estate plan.”

According to Kevin Yearout, president of Yearout Mechanical, Inc., in Albuquerque, N.M., anyone who simply hopes everything to turn out fine is burying his or her head in the sand. “No matter what your age, if you haven’t already come up with a succession plan, it’s time to get started,” Yearout insists. “You’ll typically need at least 10 to 15 years to execute an exit strategy.”

While several options are available to owners who are ready to ‘get out of Dodge’—including transfer to a family member, sale to an outside entity or merely shutting the business down—some owners are finding that an Employee Stock Ownership Plan (ESOP) is one of the best available options.

“Kids and family may not have the money or be qualified,” says Yearout, “but outside entities are hard to find for union companies.” Even when it’s

continued on page 12

How Does an ESOP Work?

An Employee Stock Ownership Plan (ESOP) is a sole and separate entity governed under ERISA laws. It can be funded as a load or “prefunded” before the buy-out. All dollars to fund the ESOP are pre-tax.

All employees—other than those who are part of the bargaining unit—become owners. Members of the ESOP are allocated shares prorated to their salaries. They actually receive the stock in the company, as opposed to an “option” to purchase shares later. Ownership vesting can be controlled with the plan rules to promote employee longevity.

“Key to successful implementation of an ESOP is training the leadership team to take over,” says Kevin Yearout, president of Yearout Mechanical in Albuquerque, N.M. “They should start by attending bank, bonding company, and insurance meetings. They need to build a commitment to the vision, missions, and values of the company they will run.”

Rob Biedermann thinks it goes even further. As president and chief operating officer of Henderson Construction and part of the leadership team for the company’s ESOP, he has seen the importance of developing trust between the new ownership team and its labor partners.

“The new owners need to understand and build a partnership with the craft and non-craft team members,” he says. “Communicate, communicate, communicate.”



continued from page 11

possible to identify an outside entity with access to enough cash and stock, there's a risk that a valuable legacy—and current staff—could be lost.

Direct sale to employees could preserve that legacy, but people who work for the company usually do not have enough cash for the purchase. “If they can get a loan, the original owner will usually need or want to stick around as a guarantee,” Yearout says. Further, employees not involved in the deal may take a morale hit.

These are all problems that the ESOP option can solve. An ESOP is a way for a company, in essence, to “buy itself.” Yearout has found that ESOPs can allow the principal owner to make a clean break and provide tax-deferred income.

More important, “involving all non-bargaining unit employees in the plan can actually boost morale, promote employee longevity, and encourage an ‘ownership mentality,’” Yearout says.

You'll need 10 to 15 years to execute an exit strategy.

“It can be a huge ‘win-win’ for both the owner and the employees,” says Rob Biedermann, president of JB Henderson Construction Co., Inc., and a member of his company's ESOP leadership team.

According to Biedermann, the first step in the process should be identifying the leaders within the company, since maintenance of existing staff is critical to the success of any company implementing a succession plan.

“You can't count on being able to hire the talent you need,” Breslin says. “Plan to train it.”

Yearout agrees, recommending that executives considering an ESOP “find out who among their employees has the desire, entrepreneurial spirit and the willingness to take risks, and then build a team.”

Once identified, that team should then be exposed to every possible facet of the company's operations so that each member of the team knows exactly what it is that they're buying.

“Read the financials, meet the customers, and be aware of any unfunded liabilities or outstanding legal issues,” Biedermann recommends. He says it's also vital to develop and enhance relationships with craft and non-craft team members, local unions, bankers and bonding agents.

“Communicate with these people about how the new ownership team is aligned with the previous team and what, if anything, will be changing. Don't assume the new owners come from the same culture as the previous team,” he says.

Yearout's ESOP Experience

When Kevin Yearout talks about planning for the future, he speaks from experience. He succeeded his father Kim as president of Yearout Mechanical in 1995. Since then, the company has grown from \$16 million in yearly sales volume to more than \$100 million.

Kim decided to retire in 1998. At that time, Yearout set up an Employee Stock Ownership Plan (ESOP) to buy him out. The ESOP represents all non-bargaining unit employees. It currently owns more than 40% of the company. The goal is to have the ESOP own 100% within the next five years.

According to Kevin, having motivation and a leadership team in place makes it possible to transition quickly. “It was only one year from the time we had the ESOP established to the time it bought out my father. Of course, it will take me the 10 to 15 years to get that next level of leadership into place.”

Kevin says that although ESOPs are not right for all situations, it has been overwhelmingly positive for Yearout Mechanical. He gives credit to the ESOP—at least in part—for the recognition the contractor received in 2007 as the “Best Place to Work” among all “large” companies in New Mexico.

“The key to a successful ESOP is developing an ownership mentality and picking the correct people to be in, and ultimately lead, the organization,” he says.

Biedermann encourages the labor team to keep an open mind. “Remember, the new owners wouldn't have become union contractors if they didn't want to be.”

He says that the most vital part of implementing any succession plan is to develop trust. “There are plenty of opportunities for failure. Handing over—or taking—the reins with confidence means all sides must not only ‘talk the talk,’ but also ‘walk the walk.’” ■

Engelmann is editor of *Partners in Progress*. The National Center for Employee Ownership (nceo.org) offers *The ESOP Communications Sourcebook* that provides training on how to successfully roll out an ESOP.

Seen^{and} Heard at the PINP Conference



“Pick just one thing to do that will strengthen our industry and do it.”

—Mark Breslin, speaker and writer for issues related to increasing union-signatory work



“As a union employer, you are never alone. You have a union partner.”

—SMWIA General President Michael J. Sullivan

“We are good at marketing our skills, but we don’t market our industry.”

—A representative at the Northeastern Regional Breakout

“It’s the Wal-Mart effect.”

—Colorado contractor, commenting on why lower bids win, even if higher bids promise better quality work

“This conference bridged a communication gap between labor and management like never before seen in this industry.”

—SMACNA President Ron Palmerick



“We need to help owners understand the difference between price and cost.”

—John Bowman, senior consultant at FMI

“Never underestimate people concerns.”

—Rob Biedermann, president and chief operating officer of JB Henderson in New Mexico, on succession planning





KNOWLEDGE IS POWER

Teaching apprentices the business side of sheet metal can help contractors be more competitive.

By Cari B. Clark

How much profit does the average contractor make on a sheet metal job? “Apprentices often guess 10%, 20%, or even 25%,” says John Eilerman, executive vice president, C&R Mechanical in Missouri.

According to SMACNA’s latest statistics, the national average is closer to 3.1%, before taxes. To help give apprentices an idea about the operation of the business side of a sheet metal company, SMACNA has developed a special curriculum on the subject.

Class participation is an essential part of the course. As an introduction, apprentices get information about a theoretical project. Using local wages and fringes, they must put together a bid that includes a fair but competitive profit.

All second-year apprentices in Local 36 take the course. Eilerman offers \$50 to the apprentice who submits the low, but profitable, bid. “Nobody has ever gotten the money,” he says.

“They just don’t understand everything that goes into the bidding process. They are shocked to find out that the contracting business is not nearly as lucrative as they imagined it was.”

He says that while young apprentices understand that all employees are paid wages and that supplies are part of the cost of a job, they often have no idea of all the things that contribute to overhead costs.

“It’s valuable to open their eyes,” says Butch Welsch, chairman of Welsch Heating & Cooling Co., in St. Louis. “When all of the players understand the true costs of operating a sheet metal business, they tend to be more cost-conscious, allowing contractors to be more competitive and bring in more work.”

After completing the initial estimate, apprentices learn about company goals, sales and estimating, job costs,

gettyimages.com

productivity, and cash flow. They examine various contract options and the value of repeat business.

They also study the aspects of the business that can be managed—such as the Experience Mod Rating to control workers' compensation expenditures, what depreciation of equipment can cost, and the concept that profit is what's left after all the expenses of a job are paid.

"Possibly the most important part of the course is the thorough discussion of overhead costs," says former SMACNA president Keith Wilson, president of Miller Bonded, Inc., in Albuquerque, N.M. It covers the costs of shop labor, equipment, office personnel, interest on borrowed funds, computers and telephones, and fringe benefits.

"Few apprentices realize that journeymen who make \$33.13 per hour in St. Louis may cost their employers as much as \$60.71, when fringe benefits, Social Security, and workers' compensation are included," Eilerman says.

Coursework doesn't stop there. It teaches the realities of starting a business from scratch, including keeping overhead low and personal involvement high. "Today's apprentices want to know where they can go with their careers. This type of information provides them with a realistic vision of what is possible," Wilson says.

Throughout, the curriculum emphasizes that proper pricing and full cost recovery are essential to growth. "The most valuable asset of any company is its accounts receivable, and a clear understanding of cash flow is important to all fledgling sheet metal workers," Welsch says.

It's an especially vital concept for union apprentices to understand. "Union shops are almost two times more costly than non-union ones. That means we must be effective and efficient to win work and make a profit," Eilerman notes.

A series of exercises in the manual focuses on things that can happen to affect a contractor's ability to compete. "Pre-construction planning makes a huge difference on any job," Wilson says. Benefits include:

- fewer last-minute changes (which add as much as 25% to labor hours);
- more positive customer perception;
- less down-time;
- smaller crews; and
- fewer accidents and injuries.

"At the end of the course, apprentices have a much more enlightened understanding of cost, competition, and management, and have changed their perception of the profitability of a company," Eilerman says. "They realize that failure can be simpler than it appears and often depends on a positive partnership between labor and management." ■

Clark is a freelance writer based in Springfield, Va. Eilerman offered a session on the curriculum at the 2008 Partners in Progress Conference. For more information on presenting the Business Costs of Operating a Sheet Metal Business curriculum in your area, contact SMACNA's Bridgette Bienacker at bbienacker@smacna.org.

A Look at Why So Many Contractors Fail

Excerpt from The Business Side of the Sheet Metal Business manual.

Why do so many new contractors have financial problems in the early stages of operation? To answer this question, let's take a look at a simplified example of how growth and change can affect a young contracting business.

- **Phase 1—Getting Started:** For most of his career, Howie has worked for contractors as a craftsman. He has now decided to quit his job and go into business for himself. His company starts out small. Since Howie has low overhead, he doesn't factor it into the bids for his jobs. That means his prices are dirt cheap. Before he knows it, he has more jobs than he can handle and is forced to hire an additional worker. Howie's business experiences growing pains, but since income has looked good in the past, he decided to expand even more.
- **Phase 2—Borrowing:** Howie borrows funds from the bank for his expansion. The financial statement he takes to his local banker shows a positive income flow and that a personal credit rating—which he established while working as a craftsman—is good.
- **Phase 3—Spending:** With these funds, Howie buys a new truck and some other badly needed equipment. He moves from his house into an office/shop and hires a full-time secretary to replace his wife, who was working for him part-time and wasn't being paid. In addition, he hires more field employees to perform the work he is no longer able to do himself. He is now a fully independent businessman, and everything looks great!
- **Phase 4—Results:** After a couple of months, the loan provided by the bank is almost gone, and it becomes harder for Howie to meet his obligations. Soon he falters on his note with the bank.

The unfortunate thing about this common situation is that it could have been avoided and eliminated altogether by employing accurate job analysis and using a sound, day-to-day, job-by-job cost accounting system. Howie failed to recognize and allot his overhead costs, and the results boomeranged.

¿Estás Preparado?

(Are you ready?)

Over the next few years, Spanish-speakers will make up more and more of the construction workforce.

by Ricardo González

It is impossible to live in the United States and not interact in some form with the most rapidly growing segment of the population: Hispanics, or Latinos. As a group, they are hardly a “minority.” Currently, more than 45 million Hispanics live in the United States, outnumbering both African-Americans and Asians.

This number is growing. The U.S. Census Bureau projects by 2050 there will be more than 100 million Hispanics in the United States, accounting for 25% of the population. These demographics mean that increasing numbers of Hispanics will be entering the organized sheet metal workforce to replace workers who are retiring and to address growth within the industry.

Assuming that’s the case, how can contractors and Locals get ahead of the curve when it comes to managing this workforce? Three areas to consider in business dealing with Latinos are language, labor, and leadership. This article will touch on each of these points briefly to frame the big picture. Future articles will address recruiting and hiring, retention, and training.

Language

Language developed to enable humans to understand and be understood. Thus, anyone who wants to recruit and hire a Spanish-speaking workforce should have sufficient people on the leadership

photos courtesy tradeupnewmexico.com

team who know (or are willing to learn) Spanish. These leaders have the responsibility to ensure that subordinates can be properly trained and understood by management.

Further, don't make any assumptions about language ability on the part of your Hispanic leaders. Recognize that many Latinos who have the job of interpreting may or may not be conveying the message and mission properly. Some second and third generation Hispanics do not speak Spanish well. Before you expect them to interpret, test them for actual proficiency.

Finally, consider English language training for Spanish-speaking people. Think strategically and invest in quality language training for the right people—leaders or potential leaders—rather than embarking on a poor quality program for the masses that has very little impact.

Labor

Common wisdom is that Hispanics are “very hard workers who don't complain a lot.” Less well understood is that Hispanics—just like other workers—desire and need to be treated respectfully by their employers. How to achieve this despite language and cultural difference will be addressed in subsequent articles.

Respect extends to developing language skills enough to communicate well and maintain safety standards. A few years ago, a study showed that for every Anglo who gets hurt on a construction job site, four Latinos are injured. (These numbers were adjusted for population size.) The primary contributor was poor communication, and therefore, inadequate safety training.

Because most of the safety regulations that exist in the United States are not part of the Latino psyche, safety training (along with all training) with Latinos must be consistent, compelling and culturally relevant.

Nothing compels Latinos like family. Effective safety training with Latinos is typically based on responsibility and love of family. Further, ensure examples, stories and even safety bonus systems reach into the soul of the Latino person.

On another note, be very careful about recruiting and hiring a friends and family network of employees. The danger is that if one person (who might be the leader of the group) gets upset with the organization and leaves, it is possible to have a mass exodus. Also, if this person moves into leadership position, he may end up needing to lead family members, which can be quite difficult.

Look for more detail on these issues in the next article that will address recruiting and hiring of the Latino workforce.

continued on page 18



What's in a Name?

Individuals living in Colombia, Mexico, Argentina, or any other Latin American country rarely refer to themselves as “Hispanic” or “Latino.” Rather, they are Colombians, Mexicans, Argentineans, or something similar. Hispanic is a classification created by the Nixon Administration in 1972 for individuals who originate from one of 20 different countries and have the Spanish language as their base of commonality.

Is there value in lumping Spanish-speaking people coming together under one banner? Perhaps, but it is similar to the value of putting Americans, Brits, Australians, and South Africans living in Russia together in a single category of “Englicans.”

The point is that to succeed with Hispanics, first and foremost recognize that they are reached and respected through a deep understanding of who they are and where they are from. Where they are from, to a great extent, dictates who they are.

Population Basics

Every year the U.S. population grows by about 2.5 million. For the past several years, 1.2 million—or 45%—of these people have been Hispanic. Some of them are here illegally.

Each day, Immigration and Customs Enforcement stops about 3,000 people trying to illegally cross the U.S./Mexican border, but another 1,000 make it. There are also workers who overstay their visas.

Still, a majority of Latino population increase is home grown, with 800,000 children of Hispanic descent born annually in the United States. Combine high fertility rates with a younger populace—averaging 26 years to Anglo's 39—and you can easily see that this growth trend will continue.

How many of these Latinos will speak Spanish and maintain Latino customs and culture remains to be seen. Most likely, the answer will depend on how well Latinos address the issues of culture and assimilation on a national scale.

Presently, according to Pew Hispanic Research, 52% of Latinos who are naturalized citizens speak English well or pretty well; whereas 74% of non-citizens speak only a little or no English at all. In total, only about 20% of Latinos in the United States do not speak Spanish well.

continued from page 17

Leadership

Picture a contractor where the management team neither speaks Spanish nor understands the Latino culture or mindset. Picture this same contractor with a Latino workforce that does not speak English or understand the American business culture. Now, picture this same contractor with foremen and supervisors who are in these positions primarily because they are bilingual.

Unfortunately, speaking a language does not make one a leader. Many Hispanics have seen very poor leadership models in Latin America and need structured exposure to the U.S. leadership culture. Ensure that any foreman or supervisor on your team gets to that position based on leadership skills and character, rather than on language ability. Language can be trained. The other traits are more difficult to instill. ■

Ricardo González is founder and executive director of Bilingual America, a language and cultural leadership training institute. To learn more about how to deal with language and cultural issues in the workplace, contact him through his website at www.bilingualamerica.com, by email at rgonzalez@bilingualamerica.com, or via telephone at 1-888-850-1555. E-mail González for a free copy of a book entitled *How to Really Learn Spanish* to help you to understand what works and what doesn't in language training. Sessions at the 2008 Partners in Progress Conference included a Future Leaders Roundtable and Recruiting, Retaining and Motivating Your Workforce. Download and review the presentations at pinp.org/smiw/schedule08.cfm.



Enter the

Dynamic Duo



Together, SMACNA and SMWIA can work wonders on legislative issues.

By Cari B. Clark

When Indiana legislators tried to repeal the state's prevailing wage act, signatory SMACNA contractors decided they could no longer take a secondary role in politics. They joined forces with SMWIA to do something about it.

"Contractors actually shut down their jobs and brought their workers to the state capitol one day to protest," says Jay Potesta, business manager and financial secretary/treasurer of SMWIA Local 20.

"It takes time and hard work to get legislation favorable to the sheet metal industry through the political process, but it's also rewarding and increasingly important," says Phil Gillespie, executive director of SMACNA Central Indiana, Lafayette and Ft. Wayne Area Sheet Metal Contractors Association.

Later, Indiana contractors and SMWIA members combined efforts with the NEMI research department and convinced the Indiana senate to include HVAC expertise on a state air quality board.

"In the end, they amended the bill to include a building contractor with experience in air flow systems and a member of a labor organization whose members install, service, evaluate, and balance HVAC," Potesta says.

The partnership's most recent effort resulted in a law requiring that indoor air quality tests be conducted by professional engineers, industrial hygienists, or *certified TABB supervisors or technicians*. "Accomplishing something like this takes long-term commitment. It took two years—two legislative sessions—to become law," Gillespie says.

To assist in their efforts, Indiana's union sheet metal industry created the "Facts and Figures" campaign. It involved commissioning original photography of mammoth

projects during the 2007 construction season and using those photos on a series of cards and two websites: indianafacts.com and indianatruestory.com.

These resources provide data about important legislative issues, such as the common construction wage, project labor agreements, indoor air quality, and apprenticeship training. "The cards—together with the websites—convey a consistent and powerful message," Gillespie says.

Just the right size to fit inside a legislator's jacket pocket, the cards contain talking points that are brief and to the point. Each message is matched with a visually powerful photograph. "They have helped us take the lead on issues, such as indoor air quality," Potesta says.

Indiana isn't the only place where SMACNA and the SMWIA are working together on legislative issues. In New Mexico, representatives from SMACNA, NECA, and MCA meet to discuss issues. "The key to effective lobbying is to create partnerships with members of all building trade associations in the state," says David McCoy, executive director of the New Mexico Sheet Metal Contractors Association.

"What we do is generated by need or situation," McCoy adds. "We discuss the best ways to deal with problems. We might choose to lobby for legislation or simply work to change state rules and regulations."

Recent efforts in the state have focused on prompt pay, or retainage. When original legislation was passed, it was intended to limit the withholding of monies due to contractors in case of a dispute.

In 2005, when contractors still were not always being paid on time, the team supported legislation that put disputed funds into an interest-bearing escrow account, with the

continued on page 20

continued from page 19

interest going to the contractor. According to McCoy, that stopped retainage.

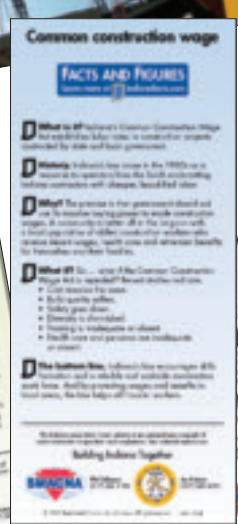
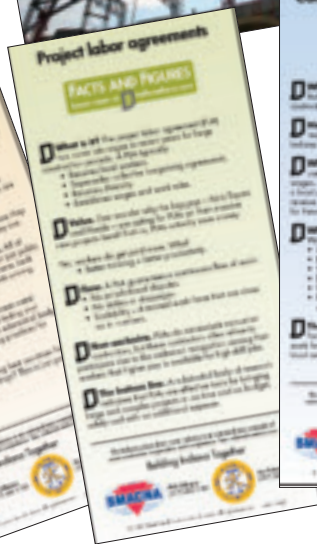
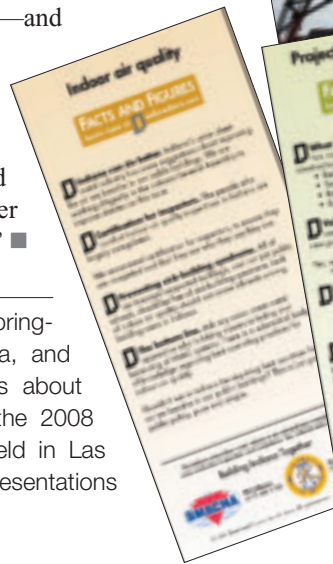
Two years later, the accounts had become a financial hassle, and the New Mexico banking industry wanted to introduce a legislation to completely repeal the prompt payment legislation. "I was able to work with them to write a new bill that prohibited retention on all construction," McCoy says. This bill passed.

As McCoy experienced, knowing which issues are coming before the legislature is vital. He encourages chapters and locals to check the Internet for state legislature session calendars, pending legislation, and even town hall meetings. NMSMCA's website even offers a link to the New Mexico legislature's website.

Another tool for success in the political arena is trust, Potesta says. "Invite legislators to SMACNA events and Local meetings. If you have a labor management committee, sponsor a Legislators' Appreciation dinner. Once legislators get to know—and trust—you, they are usually eager to help with your concerns."

"Above all," Potesta says, "labor and management must work together. None of these things could have been accomplished by either side alone. We had to do it together." ■

Clark is a freelance writer based in Springfield, Va. Phil Gillespie, Jay Potesta, and David McCoy presented their ideas about partnering on legislative issues at the 2008 Partners in Progress Conference held in Las Vegas. Download and review their presentations at pinp.org/smiw/schedule08.cfm.



Partners **IN** PROGRESS

the sheet metal industry labor-management cooperation fund
P.O. Box 221211
Chantilly, VA 20153-1211

Nonprofit Org.
U.S. Postage
PAID
Permit #354
Long Prairie, MN