



What Are The Advantages and Disadvantages of a Small Businesses?

Ownership

As a sole proprietor, you earn all the profits, choose the jobs you want to do and make all the decisions. As the boss, you can choose to turn down a job that you don't think you'll make sufficient profit from; you can hire and fire the people you choose; and you can shut down in the winter for vacation if you so choose. As a sole proprietor, you also assume all the risk. You are responsible for all debts you incur as well as the steep insurance payments.

Funding

Funding may be more difficult to secure as a small construction company. Until you build up a solid reputation and a strong relationship with a bank or financial institution, you may have to rely on personal loans or your own savings to fund your projects. Taxes may be more difficult to manage, however, as a small company. Construction work and payments don't always fall within the tax year, requiring you to amortize many of your payments and deductions. Your working cycle may not coincide with the Internal Revenue Service tax cycle, requiring accurate bookkeeping on your part. As a sole proprietor or partner however, you don't have to pay the higher corporate tax rate as your larger competitors.

Bids

Larger construction companies may be able to afford to bid jobs lower because they have other projects to support the company. Whether they are trying to keep all their employees working or building a relationship with a new customer, larger construction firms have more flexibility in the process, often bidding lower than you'd find profitable. At the same time, as a small company, you are more nimble and can quickly answer calls for work that needs immediate attention.

Relationships

You can get closer to the client and build a trusting relationship that big companies rarely do. Many clients have never even met the CEO of their biggest construction contractors. While sales and promotion may take you away from the job site, that personal touch you can offer can make all the difference in building your client base. Any small business requires an extraordinary amount of time to build and a small construction company may be even more time-consuming because you need to watch your job site and build the business at the same time. As the owner, you can plan your growth and eventually hire foremen and sales representatives. But then you'll be moving into the big leagues and risk losing that personal touch that got you where you want to be in the first place.

Excerpt:<http://smallbusiness.chron.com/advantages-disadvantages-small-construction-business-24527.html>



DBE Opportunities

Want to learn more about the DBE Program

Schedule your Business Consulting Session Now

This will be an opportunity to discuss your goals and objectives along with some of the great opportunities CEI/WVDOT provides for DBE's.

Please call: 855-678-9323

About The Program

The Construction Estimating Institute (CEI) works with West Virginia Department of Transportation (WVDOT) as the statewide provider of the federally funded Disadvantaged Business Enterprises (DBE) Supportive Services Program.

We want to increase the number of certified DBEs participating in highway and bridge construction, as well as assist DBEs in growing and eventually becoming self-sufficient. Additionally, CEI provides supportive services by assisting prime contractors and consultants with identifying DBEs for subcontracting opportunities on priority projects.

Learn Today for Tomorrow



The impact of late payment on cash flow

We're not talking about the obvious implication here — clearly, if your customers are slow to pay, then the inflow of cash into your business is also going to be slow. Rather, the impact we want to focus on is, *what does a construction company have to do to offset the impact that a late-paying customer causes?* From a cash flow standpoint, your money went out the door the minute you signed

your payroll checks, paid for those supplies and put gas into your work truck. If the cash to pay those necessary costs and expenses isn't coming from the money that your customers owe you, then where is it coming from?

We recently wrote an article about this very topic on the [zlien blog](#). In the article, we looked at what happens to cash flow when your customer pays in 30 days, 60 days or 90 days. The bottom line: a company whose customers took 90 days to pay needed six times more cash to float the project/job costs than a company whose customers paid their bills in 30 days.

And the really scary part is, it can be difficult or even impossible to know how long it is going to take your customers to pay their bills at the beginning of the project. Imagine a scenario where your customer assures you at the start of a project that they will pay all of your invoices within 30 days, but once you get into the actual work on the project, it takes them closer to 90 days to pay.

In the example from the article, this would mean that the cash needed to float the project went from \$33,000 to \$199,000, a huge jump! Getting short-term financing of \$33,000 might be a challenge for some businesses, but for many it's probably doable. But a short-term loan or line of credit for \$200,000, for a construction company, well, that might be tough to pull off given the difficulties construction companies have historically faced when pursuing traditional financing.

The simplest and most common reason why businesses fail is that they run out of cash. If late payments have a detrimental effect on your cash flow as described above, then it stands to reason that getting paid faster will have a corresponding beneficial impact to your business' finances. But how can you speed up payments in an industry that is notoriously slow? We have a few suggestions that might help:

Send notices on every project, even when it's not required. Communicate to upstream parties that you are on the job. In turn, this visibility means that your payments get prioritized over other parties involved on the project, and you get paid faster. Sending notices on every project is something of a mantra for us at zlien, simply because it works.

Automate your waiver exchange process. Exchanging waivers is a necessary step that's almost universally required to get paid. But if exchanging waivers is a manual process for your office, then you're unnecessarily adding extra days to the time it takes to turn your invoices into cash. Consider automating your waiver exchange process using a technology platform such as Waiver Inbox.

To read more go to Excerpt: <http://www.forconstructionpros.com/article/12316483/are-late-payments-a-threat-to-a-contractors-survival>

Supportive Services Offered



- Estimating Training
- Building Capacity
- Mobilization Financing
- Bonding Assistance
- Marketing Plan Development
- Creating a Business Plan
- Building a Website



CEI is an educational organization providing the highest quality construction training in the industry. Over 100,000 owners, estimators, project managers, field supervisors, office support staff, foremen, laborers, and key management personnel have attended courses that are offered nationwide. The courses provide students with construction skills training and the critical information needed to be effective within their companies and organizations.

CEI DBE Supportive Services

Call 855-678-9DBE (9323) or visit us online at www.wvdbesupport.com