



Today's Contractor

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Is It Time to Diversify?

With construction activity still weak, many contractors are asking whether it makes sense to diversify their business by broadening their range of products and services. When done properly, diversification into new fields or product lines can help your company attract new customers, while enhancing your relationships with existing clients. You may also find that building on your core capabilities enables you to offer a high standard of quality to customers, giving your firm an advantage in this difficult market.

While the prospect of a new line of business may be tempting, the

advantages of remaining within your core capabilities are equally clear. Learning new skills and techniques, recruiting new employees or training current workers, taking on new inventory, and dealing with new suppliers can be costly, time-consuming, and nerve-wracking. While getting up-to-speed on new techniques or product lines, you or your employees may make mistakes that could endanger your relationships with customers.

If you are concerned about spreading your organization's resources too thin, you may choose not to diversify, but to focus instead on improving the quality of your work, while intensifying your marketing efforts. If it is feasible to do so, consider expanding your operations into new geographic areas or changing your marketing strategy to attract a new group of customers. To keep busy while waiting for bigger projects to move through the pipeline, consider taking on smaller jobs that could lead to additional opportunities when the economy recovers.

While diversification can be challenging, the slowdown in construction activity can provide an

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opportunity to develop new areas of expertise. For example, many contractors are learning how to weatherize homes to take advantage of new Federal funding for weatherization assistance programs included in the recent stimulus package. In addition, Congress has provided incentives to homeowners and businesses to improve energy efficiency or to purchase more energy-efficient homes and buildings, and additional incentives may be included in future legislation. With the projected growth of green building, now may be the time to learn more about environmentally friendly products and construction techniques.

When beginning the diversification process, consider offering so-called “value-added” products or services. These are generally products and services that are closely related to your core business and are intended to supplement existing offerings. Your company could also experiment with “horizontal diversification,” which involves developing or acquiring new products that diverge from your primary business, but that may appeal to your current customer base. For example, your firm could launch a new line of energy-efficient products that are simply greener versions of current products, as

well as new products and services likely to become attractive as a result of government programs and tax incentives. Additional marketing of these environmentally friendly lines could help your business attract new clients.

A review of the skill sets within your organization may also reveal untapped opportunities. If you or your employees have knowledge of techniques that may be in demand, consider developing those skills into a new business area. In some cases, you may provide additional training to update employee skills. If your company is moving into green technologies, look into subsidized training programs offered through Federal, state, and local agencies.

Diversification that is based on a solid business strategy may pay off in the long run. But, before taking on a challenge that could cause your company to lose sight of its core objectives, plan ahead to ensure that your firm has the necessary resources. While moving into an area that requires a large capital investment may be unnecessarily risky in the current economic climate, adapting your business to rapidly changing conditions can help your firm to survive the downturn and to thrive in an evolving marketplace.

Benefits of Bluetooth Connectivity

Contractors looking to improve productivity and efficiency, both on the road and in the office, may consider investing in equipment that utilizes the convenience and connectivity offered by Bluetooth technology, a wireless protocol that allows a diverse range of IT and communication devices to “talk” to each other.

Bluetooth is a short-range communications system that can be used to exchange information wirelessly between a wide range of devices, including desktop computers, notebooks, keyboards, mice, printers, digital cameras, personal digital assistants

(PDAs), and mobile phones. Fortunately for firms on a tight budget, the cost of Bluetooth technology has come down considerably, even as quality has improved.

A radio protocol with the technical name IEEE 802.15.1, Bluetooth is ideally suited to creating wireless personal area networks (PANs) in relatively small spaces, such as an individual office or a vehicle. While transmission ranges can be as great as 300 feet, the effective maximum range of most Bluetooth-equipped devices is around 30 feet or less.

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Keeping Healthy Workers on the Job

In a tough economic climate, contractors might assume that absenteeism would become less of a problem. But a combination of family pressures, financial stress, workplace morale, and even fears of a swine flu outbreak may actually cause absenteeism rates to rise in the coming months. If you are concerned about employees taking unscheduled absences from work, take a look at your firm's current sick leave policy and general approach to employee attendance.

According to a 2007 survey conducted by tax and business law information provider CCH, as many as two-thirds of employees who call in "sick" are not actually ill. Results showed that 34% of unscheduled absences were due to personal illness, while 66% were attributed to other reasons, including family issues (22%), personal needs (18%), an entitlement mentality (13%), and stress (13%). In many cases, researchers found, workers needed time off to take a family member to a medical appointment or felt the need to take time out to care for themselves or their families.

While some unscheduled absences are inevitable, there are steps that employers can take to manage absenteeism more effectively. All companies should have an attendance policy that clearly outlines the rules regarding absences, tardiness, and leaving work early, as well as procedures for notifying the employer in case of absence. Firms may also consider using a system that enables them to keep track of the number of full or partial employee absences, as well as the reasons for these absences. Reviewing these records over a period of months or years can help you better understand the attendance patterns that have developed in your organization.

Traditionally, employers in the U.S. offer workers a limited number of sick days and/or vacation days. These policies vary widely by employer. At some companies, employees may be permitted to carry

over sick days from one year to the next, or they may lose any unused sick days at the end of the year. At companies in which sick days are forfeited, the temptation may be great to take a "mental health day."

To encourage greater honesty among employees about the reasons for their absences, while promoting work-life balance, many companies have eliminated sick and vacation days altogether, offering employees a "paid time off" (PTO) bank. PTO banks provide a set number of paid leave days, which may be used for sick, vacation, and personal time. Under the PTO model, employees who, for example, want to take a day off for personal reasons will feel more comfortable notifying supervisors in advance. This, in turn, reduces the number of unscheduled—and potentially disruptive—absences.

Even after a relatively flexible and generous absence management program has been implemented, you may find that certain employees continue to have problems with unscheduled absences or tardiness. This may be due to unresolved health or family problems that could be addressed through appropriate interventions, such as help in organizing reliable childcare or assistance in arranging treatment programs for workers with chronic conditions. If an unusually high rate of absenteeism is an issue throughout the organization, it could be caused by low morale due to ineffective management or poor working conditions.

While keeping employees on the job is important, it is equally essential that employers do what they can to discourage employees who are ill from coming to work and infecting their co-workers. The need for vigilance is especially important in light of warnings that an outbreak of the H1N1 swine influenza virus could pose a major public health risk during the winter flu season.

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Benefits of Bluetooth Connectivity

While Bluetooth has a more limited range than Wi-Fi, it consumes less power and may be more secure. Bluetooth-enabled devices contain small chips that send signals to each other over a part of the radio spectrum reserved for industrial uses. As traffic on these bands can be heavy, Bluetooth devices rapidly “hop” frequencies when sending and receiving information, making it difficult to intercept transmissions. Additionally, Bluetooth systems are generally protected by data encryption and user authentication safeguards.

By setting up a system that relies on Bluetooth connections, workers can, for example, transfer documents or photos from a mobile phone or digital camera to a desktop computer, or they can send files from a computer or PDA to a printer—all without wires. Bluetooth-enabled computers and

PDAs that have been “paired” by the user will automatically synchronize their calendar and contact information. Workers can also move around while wearing Bluetooth headsets that allow them not just to talk on the phone, but to dictate letters or other written documents to a voice recognition software program on a computer, PDA, or other device.

Firms wishing to move toward Bluetooth connections do not have to immediately replace all equipment; instead, some older devices can be Bluetooth-enabled by plugging in an inexpensive USB adapter or installing a card in computers. Companies can start by making small investments in Bluetooth technology and acquire more equipment as resources permit and business needs change.

construction trend data

Due to a surge in public works projects, construction starts for all categories rose 7% in May. Total construction starts for the first five months of 2009 amounted to \$154.2 billion, a decline of 38% from the same period of 2008.

Following a steady decline in housing starts from mid-2008 to February 2009, the pace of construction picked up slightly in the spring. Large gains were seen in highway and bridge construction. Nonresidential building declined, however, as school and healthcare facilities construction slowed. Single family housing in the residential building category registered a small increase of 2%.

Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction, said, “Single family housing now seems to be leveling off after its lengthy correction, and public works

is picking up speed, with more to come given the lift that’s just beginning to emerge from the Federal stimulus funding. This will be offset, however, by further weakness for nonresidential building.”

New construction starts by region for the first five months of 2009 were as follows: Midwest, down 29%; Northeast, down 45%; West, down 39%; South Central, down 34%, and South Atlantic, down 41%.

Year-to-Date Construction Contract Value Unadjusted Totals, In Millions

	5 Mos. 2009	5 Mos. 2008	% Change
Nonresidential Building	\$62,374	\$109,670	-43
Residential Building	39,378	76,589	-49
Nonbuilding Construction	<u>52,465</u>	<u>61,357</u>	-14
Total Construction	\$154,217	\$247,616	-38

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