

MANAGEMENT GUIDELINES IN PREPARATION FOR A STRIKE

The purpose of this publication is to provide contractors and general management personnel with suggested business guidelines in preparation for a possible strike. The survival of your company during a strike will partially depend upon your planning and how well prepared you are in coping with strike conditions. Work closely with your CPA, insurance agent and attorney before, during, and after a strike.

The suggested business guidelines are grouped under five major categories. They are:

- I. Banking
- II. Creditors
- III. Legal
- IV. Customers and Contractors
- V. Personnel and Operations

Each major category in this guide lists activities and suggested actions which are critically important for you to consider executing. A management control document, *Management Evaluator*, is provided for your use in planning and monitoring your company's position relative to the suggested guidelines..

Most of the financial considerations and suggested guidelines are necessary for any sound management environment. A competent legal, insurance or financial professional should be contacted for further guidance.

I. BANKING

1. NOTES PAYABLE -NOTES DUE -INSTALLMENT LOANS

Review principal and interest amounts and due dates. If necessary, arrange to pay interest only to maintain and preserve your cash position until the strike is over and your cash flow normalizes.

2. LINE OF CREDIT

Review the dollar line of credit available to you through your unsecured or secured borrowing capacity. What can you depend on from your banker during this period of time? Seek to ensure sufficient working capital for day-to-day operations.

3. ACCOUNTS RECEIVABLE

Set up an effective, insistent and persistent accounts receivable and retainages due program. This is important anytime, but could be critical during a strike. Remain calm, but firm, in this undertaking. Good customers who have paid well in the past can have their difficulties also. Don't lose one because of a miscalculation. Make every effort to collect all accounts receivable and retainages receivable due. Enforce effective and consistent collection efforts on all accounts

receivable due. If necessary, arrange to finance or sell your accounts receivable. However, dollar discounts and interest/service charges may be very expensive.

4. LOAN COLLATERAL

Evaluate and appraise your assets in the event you plan to borrow funds that require collateral or pledging of assets. Be prepared to offer personal guarantees and collateral.

5. CAPITAL EXPENDITURES

Eliminate all purchases of tools, equipment, trucks, or other major expenditures 90 days prior to, during, and at least 60 days after an agreement has been signed and ratified. Consider this action if the old collective bargaining agreement is terminated and has not been resettled.

6. CASH FLOW PLAN

Determine what monthly overhead expenses are unavoidable in order to stay in business. Estimate your monthly cash income. Strive to conserve your cash reserves. Planning your cash requirements is critical for you to survive a strike. Your cash plan will aid you in determining when and if you need to borrow funds. A lending institution may require the cash flow plan. Forecast your cash flow, including access to borrowing, for the duration of a strike.

II. CREDITORS

1. MATERIAL DELIVERY

Review all material orders and place a hold or cancel purchase orders if material ordered cannot be received, installed, and your customer billed prior to the strike date.

2. NON-ESSENTIAL PURCHASE ORDERS

Review non-essential material or purchase orders, in addition to controlling material purchases, and place a hold or cancel purchases until 60 days past the conclusion of a strike or the signing of a new collective bargaining agreement.

3. PAYMENT EXTENSION PLAN

Review amounts owed and establish a payment plan with each and every creditor. Be sure your agreed-upon plan does not severely injure your cash position. In order to extend payments due, interest-only payments could be considered. If a payment schedule is agreed upon, be sure to meet your commitment. If you cannot meet your committed payment plan, advise your creditor as soon as possible. Failure to advise your creditors of your inability to pay could result in your bankruptcy.

4. MATERIAL RETURN/RESTOCKING PLAN

Contact your suppliers and arrange to return shop inventory material that cannot be installed and billed by the strike date. Handling and restocking costs may be applicable to this service, and you will have to determine whether your cash needs justify such costs.

Immediately after a strike is over, you will need materials that were ordered for contract jobs in progress and stored on the jobs, in the shop or by suppliers. Be sure your suppliers know of your priorities for start-up materials and get their commitments to expedite material promptly after a strike is over. Materials stored on site, which cannot be adequately secured if the jobs are shut down, will need to be returned to suppliers or to the shop.

5. IN-HOUSE MATERIAL INVENTORY

Order only critical material items. In-house material inventory should be kept at an absolute minimum.

6. COMMUNICATIONS WITH CREDITORS DURING A STRIKE

CAUTION!

When you are communicating with your creditors at any time during the negotiations or during a strike, it is unwise to give details about specific offers. This is to ensure that no correspondence could be construed as an official offer of the bargaining unit.

Creditors, if fully informed at all phases, will usually cooperate in these trying times. You represent their livelihood, now and following the strike, but they like to feel you appreciate their position.

Communicate with all creditors the progress of labor negotiations prior to and during a strike. Personal visits are effective for local creditors. A weekly letter or a weekly telephone call to communicate information will keep your creditors informed.

III. LEGAL

1. NOTICES TO OWNERS

CAUTION!

When you are communicating with owners at any time during negotiations or during a strike, it is unwise to give details about specific offers. This is to ensure that no correspondence could be construed as an official offer of the bargaining unit.

Read all construction contracts for liquidated damages, for non-performance, and for breach of contract clauses. This is especially important with "time is of the essence" contracts. Obtain written change orders from customers extending completion dates, waiving liquidated damages for delays, and waiving any action for non-performance or breach of contract. Contracts may provide that delays due to strikes are excusable if proper and timely notice is given and, even if not provided for in the contract, such delays will normally be excused on request. Try to negotiate time extensions that will enable you to restore normal progress after start-up and for

extensions needed for the duration of a strike. Remember, as your customers, owners are directly affected. If fully informed, they will be more understanding of delays. Obviously, a weak employer position will mean increased costs to them for their construction.

2. LEGAL COUNSEL AVAILABILITY

Contact your lawyer and be sure he/she or someone from the firm will be available at all times during the strike.

3. LEGAL LIABILITIES FOR INJURY OR DAMAGE

Seek legal and insurance counsel regarding any liability on your part for injury or damage to property at your office or job site and determine adequacy of your insurance coverage. Determine what legal remedies you can seek in the event of actual or threatened property damage or personal injury by striking workers.

4. NOTIFICATION OF BONDING COMPANY

Immediately notify your bonding company about any possibilities of a strike. Have your bonding company waive all non-performance clause(s) for all bonded work. Keep the bonding company informed on a regular basis as to the progress of labor negotiations prior to and during a strike.

IV. CUSTOMERS AND CONTRACTORS

CAUTION!

When you are communicating with your customers and other contractors at any time during negotiations or during a strike, it is unwise to give details about specific offers. This is to ensure that no correspondence could be construed as an offer of the bargaining unit.

General contractors and sub-contractors are, in many respects, another form of customer. All of the suggested guidelines which apply to customers may also apply to contractors, just from a different perspective and priority.

1. PROGRESS BILLINGS

Contact customers and explain that you will be invoicing for work installed and for materials delivered to approved storage facilities, if authorized, up to the day of a strike. Utilize sound collection efforts as with any accounts receivable.

2. BILLINGS FOR MATERIAL DELIVERED BUT NOT INSTALLED

Prior to a strike, contact your customers and arrange to be paid for material delivered to the job, or approved storage facilities, but not installed. If not provided for in the contract, explain the need to have materials available to return to schedule as soon as possible after a strike. Confer with your attorney and insurance advisor regarding loss or damage liability for materials in storage.

3. RETAINAGES

If feasible, request release of as much retainage held by customers as possible. Call on customers personally to explain the need.

4. CUSTOMER COMMUNICATION PLAN

Continue to maintain good customer relations during a strike. Keep your customers advised of the labor negotiations progress. Timely, personal visits, telephone calls, or written messages can be used. A strike will end but you want to continue your good business relationships with your customers.

5. COLLECTION PLAN TO CONVERT ALL RECEIVABLES INTO CASH

As soon as possible prepare a management report by listing customers and amounts of all accounts receivable and retainages receivable due. Age your accounts as to current, 30 days past due, 60 days past due, and 90 days and over past due. In addition to previously suggested collection efforts, use this management report to daily exercise collection efforts during a strike. Without a cash flow or sufficient borrowing capacity, you can be forced out of business.

6. COORDINATION OF PROGRESS AND COMPLETION OF JOBS

Notify your customers that you would like to complete as much work as possible prior to a strike, particularly that which will allow other contractors to continue or which will substantially complete usable portions of the facility. Arrange for prompt inspection, billing, certification and payment of such completed work. Be sure your job supervision is well qualified to accelerate progress and that control is superior. If you detect any indications of a slowdown to frustrate your accelerated schedule, take remedial action or discontinue acceleration efforts.

V. PERSONNEL AND OPERATIONS

1. AVOIDANCE OF UNFAIR LABOR PRACTICES

Review all actions that involve, directly or indirectly, the workers or the union with your association. They will have access to legal counsel well versed in labor matters, and can steer you clear of many pitfalls which could be extremely costly to you and disintegrate the negotiating strategy of the bargaining unit.

2. OVERHEAD PERSONNEL INFORMATION

Call a meeting of all overhead personnel and explain a strike possibility. This communication should be carried out on a timely basis in order to have a controlled phase-out of field production activities. If a strike occurs, keep overhead personnel informed as to the status of labor negotiations.

3. MEANINGFUL WORK ASSIGNMENTS FOR OVERHEAD PERSONNEL

Establish in writing work assignments for all overhead personnel. It is essential that the work assigned be constructive.

4. LEAVES-OF-ABSENCE SCHEDULE

Overhead personnel may take annual leave during a strike. Review your cash flow and, if necessary, schedule unpaid leaves of absence for overhead personnel. It is suggested that all overhead personnel be advised of the possibility of an unpaid leave of absence if a strike is not short-term. If they are aware of the need and can prepare for the loss of income, they will normally see advantages to brief leaves of absence instead of layoffs. Your cash position must be liquid to keep your company in business.

5. BENEFITS PAYMENTS

Be sure arrangements are made which assures the payment of group insurance premiums on employees' hospital, medical, life and disability insurance through a strike period. You can either pay the premiums for overhead employees who are away on business, vacation, leave of absence, etc., or you can make arrangements for them to remit premium payments directly to the group insurance administrator(s).

6. SECURITY OF YOUR PROPERTY, BUILDINGS AND EQUIPMENT

Outline in writing a plan to physically protect your company assets. Confer with your CPA regarding physical controls. Be sure you have a plan for all trucks, equipment, tools, materials on job sites, automobiles and other company owned assets properly secured and accounted for. This includes all warehouse and office areas. Only authorized personnel should have keys to these areas, vehicles and equipment. Arrange for strikers to return all trucks, company keys, tools and records in their possession. Change all locks if necessary. Arrange for police surveillance of unattended facilities.

7. INSURANCE POLICIES

Confer with your agent or broker regarding proper insurance coverage under strike conditions. This should be done on an annual basis at time of renewal.

You should maintain the following coverages:

- Property
- Commercial General Liability
- Umbrella
- Fire and Theft
- Auto Fleet
- Workers' Compensation
- Life Insurance
- Group Insurance
- Accident

8. EMPLOYMENT CONTRACTS ON NON-STRIKING EMPLOYEES

Confer with your attorney regarding how best to comply with provisions of any employment contracts covering non-striking employees.

MANAGEMENT EVALUATOR

Important!

Conditions do change. It is very important that you review all general management checkpoints on a regular basis. Do not assume that everything is in order. Be sure! Your personal management decisions and control may be the major factors in determining whether or not your firm will survive a strike.

To facilitate the planning needed to prepare your company for a strike, a *Management Evaluator* has been developed for your use. This management tool is presented as an aid in the orderly process of preparing your company and your business associates to cope with a strike.

Each item must be carefully considered. Develop a plan of action to take corrective measures as applicable. Document the date corrective action is started and the date your goal is achieved.

[Thank you to the National Electrical Contractors for their copy of “General Management Guidelines in Preparation for a Strike.”]

Suggested Business Guidelines Checklist

	Is Activity covered		What is the Plan of Action to Improve or Acquire Information?	Date Action Started	Date Goal Achieved
	Yes	No			
Banking					
Review with your banker:					
1. Notes payable-due					
2. Line of credit					
3. Accounts receivable					
4. Loan collateral					
5. Capital expenditures					
6. Cash flow plan					
7.					
8.					
9.					
10.					
Creditors					
Review with your creditors:					
1. Material delivery					
2. Non-essential purchase orders					
3. Payment extension plan					
4. Material return/restocking plan					
5. In-house material inventory					
6. Communications with creditors					
7.					
8.					
9.					
10.					

	Is Activity covered		What is the Plan of Action to Improve or Acquire Information?	Date Action Started	Date Goal Achieved
	Yes	No			

LEGAL

Review with your lawyer:

1. Notice to owners					
2. Legal counsel availability					
3. Legal liabilities for injury or damage					
4. Notification of bonding company					
5.					
6.					
7.					
8.					
9.					
10.					

CUSTOMERS & CONTRACTORS

Review with your customers and contractors:

1. Progress billings					
2. Billings for material delivered but not installed					
3. Retainages					
4. Customer communication plan					
5. Collection plan to convert all receivables into cash					
6. Coordination of progress and completion of jobs					
7.					
8.					
9.					
10.					

	Is Activity covered		What is the Plan of Action to Improve or Acquire Information?	Date Action Started	Date Goal Achieved
	Yes	No			
PERSONNEL & OPERATIONS					
Review with your employees:					
1. Avoidance of unfair labor practices					
2. Overhead personnel information					
3. Meaningful work assignments for overhead personnel					
4. Leaves-of-absence schedule					
5. Benefits payments					
6. Security of your property, buildings and equipment					
7. Insurance policies					
8. Employment contracts of non-striking employees					
9.					
10.					