

# BUILDING CONNECTIONS

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## How Can You Get Ready for the Future of Your Business?

page 6

- 4** Summer 2016 Electronic Systems Outlook Now Available
- 5** The Death Spiral: 3 Stories That Need to Be Told
- 8** Save Tax Dollars and Create Industry Jobs
- 9** New 'White Collar' Exemption Rule Update
- 10** Back to Basics ... and Back to Loving Your Customers
- 11** The Value of an Organization's Vision



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NSCA  
3950 River Ridge Drive NE, Suite B  
Cedar Rapids, IA 52402  
800.446.NSCA • 319.366.6722  
Fax: 319.366.4164  
www.nsca.org

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A Message from the Executive Director

## Introducing the New Hester Scholarship ...

At NSCA's 18th annual Business & Leadership Conference this past February in Dallas, Mike and Kiffie Hester made a generous NSCA Education Foundation donation of \$25,000. (Together, Mike and Kiffie owned and operated Beacon Communications in Denver until their joint retirement in 2016.) Mike is a long-time board member and currently serves as NSCA's immediate past president.

This financial gift is an exciting step toward our mission of helping attract and recruit veterans; it will be used as seed money to create a program that gets veterans involved in the systems integration industry.

One of the initial funding requests for this scholarship was made by the Electronic Systems Professional Alliance (ESPA) to conduct a series of outreach and recruitment events at various RecruitMilitary job fairs across the country.

As NSCA and ESPA attend these job fairs, an integration firm will be paired with an academic channel partner. This allows veterans to see and hear about the types of jobs being offered in the industry; if education is needed so that the veteran can pursue a job, the academic channel partner is available to explain training options.

The Hester Scholarship gives us the start we needed to promote our industry to the veteran community — which will also give a big boost to integrators that are looking for disciplined, professional, well-organized, and process-oriented staff.

We'll be talking more about what we're doing with the Hester Scholarship in coming months — stay tuned to learn more.

*Chuck R. Wilson*

Chuck Wilson  
NSCA Executive Director



▲ From left to right: Mike Hester, Kiffie Hester, Jeff Kindig, Harman, Stephen Kohler, Shure



▼ From left to right: Jeff Gardner, ESPA; Joe Tesmer, Lincoln Tech; Brent Adams, Lincoln Tech; Darin Martin, South Western Communications

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# Upcoming Events

Oct. 27

#### WEBINAR

*Get Ready for Changes to White-Collar Exemption Rules*

Presented by: Insperity

Oct. 25-26

#### CONFERENCE

*Pivot to Profit*  
Dallas, TX

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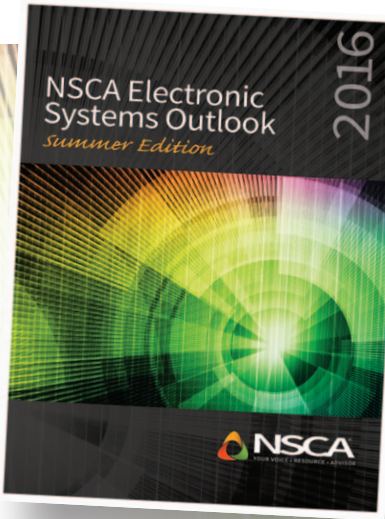
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# Summer 2016 Electronic Systems Outlook Now Available

NSCA's *Electronic Systems Outlook* has been recently updated for Summer 2016, and now includes information based upon actual data from Q1 and Q2 of 2016, as well as forecasted information for the remainder of the year.

This updated report provides the newest, most relevant indicators of new business opportunities for integrators. By tracking new construction starts and renovations across multiple markets in the commercial buildings industry, integrators can easily see which verticals are poised to do well this year — and in the years to come.



Current conditions look good for the construction industry. The *Electronic Systems Outlook Summer 2016* report provides details on:

- The markets that are (and aren't) poised to do well
- The construction forecast for 2016 and beyond
- Technologies that are growing in demand
- Developing a focused sales approach
- Keeping tabs on growth and new business opportunities

The summer forecast hasn't changed much from the prior report. Growth for construction put in place is expected to be 6%. The largest growth markets are lodging, office, commercial, and educational construction. With the exception of commercial construction, all are strong markets, but growing slower than what was experienced in 2015.

For more information about the *Electronic Systems Outlook Summer 2016* report, or to see a preview of the report, visit [www.nasca.org](http://www.nasca.org) or call 800.446.NSCA. ▲

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# The Death Spiral: 3 Stories That Need to Be Told

The vast majority of NSCA members own or operate integration businesses that are doing well; however, a handful of others no longer have a company to manage. They got caught up in what we call the “death spiral.” With permission, we’re sharing their stories anonymously in hopes that these things never happen to you.

Each person faced a unique situation, and didn’t identify what had to be done early enough to correct the problem.

Each story was each written by the person who experienced it. Everyone we approached agreed without hesitation to share their accounts with you. We’re sharing three stories here; three more stories will appear in the next issue of *Buildings Connections*.

## Integrator #1

Our company got caught up in regional bidding wars. Before we knew what was happening, we experienced a major cash-flow problem during a year with record sales. We had landed six jobs that were each over \$1 million. We celebrated like crazy until we discovered that we had to buy equipment and pay in advance of the billing and collection cycle. Our bank of 20+ years bailed, leaving us with almost no room on the line of credit, which essentially shut us down. We couldn’t deliver and had to forfeit bid bonds on several of these projects.



**Lesson Learned:** We should have known better. My advice is to keep in close contact with lenders or finance companies that can facilitate large purchase-order financing. Our egos led us down a bad path and right into the death spiral. We didn’t know it until the bank shut us down.

## Integrator #2

We bit off more than we could chew on a very large government project. Before we understood the severity of the problems associated with this project, we found ourselves faced with a decision to perform, default, or tap into personal retirement assets. We defaulted and tapped our savings due to personal guarantees. Our biggest mistake was placing too much trust in a very large general contractor that, as we found out later, has taken down dozens of subs.

**Lesson Learned:** We had at least five people (including NSCA) suggest that we walk away from this project because it represented more than 30% of our historic annual revenue. We didn’t, and it cost us our company and the retirements we planned.

## Integrator #3

We were led down primrose path by a manufacturer and consultant that teamed up on a project and selected us as the preferred vendor. What we didn’t know: Several others had passed on this prestigious project that we convinced ourselves would one day be the feather in our cap to launch the integration business. It’s now three years later; to this day, the owner has never accepted the system as installed or paid anything toward it. I had to bail out as I could no longer afford to defend myself, having already spent over \$50,000 out of pocket in legal fees.

**Lesson Learned:** I will never place the fate of a business in the hands of others who have no vested stake. If I could do it over, I would insist on shared risk or walk away. I would still own a successful business today if I had done either of those things.

## Closing Thoughts

We tell these stories to help you take measures to avoid the death spiral before you get in too deep. NSCA has benchmarks and resources to identify companies in trouble — all you have to do is admit that there may be a problem, and then ask us for help. ▲



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## How Can You Get Ready for the Future of Your Business?

NSCA is partnering with PSA Security and Synnex to bring integrators the first-ever conference dedicated to helping firms get ready for what the future holds:

- Cloud migration
- Hybrid models
- Cybersecurity
- RMR transactions
- Hosted services
- Shift to services

The Pivot to Profit conference helps integrators discover lucrative new pathways to increase revenue by “pivoting” to discover additional growth opportunities.

Why is now the time to learn how to “Pivot to Profit”? At the end of 2015, we asked you to describe your company’s single most significant challenge for 2016. The responses overwhelmingly pointed to obtaining new repeat customers, building solid recurring revenue streams, and transforming to a services-focused organization.

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### EDUCATIONAL SESSIONS AT PIVOT TO PROFIT Here's a sampling of the workshops you'll attend:

#### Are You Ready? Impacts of Disruptive Technology and Innovation

- Technology predictions for the future
- How Internet of Things will impact integrators and what they do

#### Turn Ordinary Technology Systems into Full End-User Experiences

- A close-up look at return-on-asset models
- Which technologies and customer types provide solid, reliable business growth

#### Compensation Plans for RMR Sales Professionals

- Keeping project-based salespeople from failing when they sell RMR
- When — and how much — to pay an RMR salesperson

#### Doing Business in the Cloud

- Preparation for a move to the cloud — and why it's essential to RMR
- What the best cloud-enabled services providers are doing today

#### How Much Risk is Involved with RMR — Really?

- Credentials to prove that your solutions are secure
- Risks and liabilities of remotely accessing a client's network

#### Best Practices in RMR Contracts and Agreements

- Proper contracting methods and management styles
- When to propose and close service contracts

#### Scaling Up to RMR without Lowering Profits

- Finding incremental growth opportunities
- Developing, selling, and managing service teams

#### Making Service Data Come Alive


- Use reporting to customize and obtain live data for better decision-making
- Learn to improve efficiency by getting the most out of your service team

#### Financing Aligned with Your Changing Business Model

- Position your business for explosive growth and greater profitability
- Uncover capital options and supply chain financing

#### One-on-One, Personalized Solutions

The Pivot to Profit innovation hall won't be full of commoditized products and standalone hardware — instead, you'll find companies offering unique services and solutions to help you acquire new sources to grow recurring revenue.

During dedicated networking time, you'll have the chance to sit down face-to-face with the providers and manufacturers that offer products and solutions with recurring revenue potential. 

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# SAVE TAX DOLLARS and Create Industry Jobs

We formed a new partnership this year that is turning heads in the systems integration industry.

*In an effort to do our part in creating new technology jobs, and to keep innovation here in the United States, NSCA partnered with Houston-based alliantgroup to introduce integrators to a very important federal stimulus program: the R&D tax credit.*

The first thing we usually hear from integrators about this tax credit is, “We don’t qualify because we don’t do R&D” — but it turns out that we just have to look at things differently.

### Utilizing the R&D Tax Credit

The R&D tax credit was specifically designed for the benefit of companies that design, integrate, and implement technical solutions for their clients — companies just like yours. The credit has been in place and used by hundreds of adjacent industry firms for years.

NSCA members have only recently become aware of how important this tax credit is; while some companies believe they are already using tax credits to the fullest extent permissible, that’s likely not the case.

In nearly every instance where alliantgroup reviews the project profile and level of integration performed by a specific company, it turns out that money has been left on the table.

### Some examples of the tax savings we’ve uncovered for members:

- **Integrator in Iowa:** \$300,000
- **Integrator in Missouri:** \$200,000
- **Integrator in Indiana:** \$250,000
- **Integrator in California:** \$800,000

In just six months, 22 NSCA members uncovered more than \$10 million in tax savings! And these are companies just like yours, working on AV integration, security and control systems, building automation and life safety, custom programming, etc. In most instances, these firms have used their tax savings to hire the best and brightest people in the industry so they can continue to offer advanced technical solutions that fit the tax-incentive profile.

### Finding Great Hires

NSCA has also developed a plan to help integrators find the great hires that their tax savings are being used for. Thanks to funding from the NSCA Education Foundation, and its newest program — IGNITE — we are reaching out to technical colleges, community colleges, STEM high schools, and universities with relevant curriculum to educate about our industry and the career options available.



IGNITE already has 74 “ambassadors” — NSCA members that volunteered to be the “feet on the street,” spreading the good news of an industry that is growing fast and hiring.

The IGNITE program is off to a great start, led by an energetic group of members, including Kelly Perkins of AVI Systems, Laurie Englert of Milestone AV Technologies, Lauren Simmen of SurgeX, and Mike Shinn of IMS Technology Services. The committee recently met to develop a strategic plan that involves outreach, awareness, testimonials, and case studies. The IGNITE mission is simple: build awareness and fill the void.

The goal is to link NSCA members’ talent management plan and recruitment websites to the IGNITE program and tools we offer.

### Talent Management Continuum

NSCA views the R&D tax credit as a talent management continuum: a wonderful job creation and stimulus package combined with a volunteer/grassroots effort to recruit new talent to fill jobs necessary for integrators.

We plan to share success stories from employers and new employees. We have a lot of work to do (we all know that the level of awareness about our industry in the academic channel is quite low), but you have to begin somewhere. And this seems like an awesome place to start.

**Want to learn more about how you can potentially save hundreds of thousands of dollars with the R&D tax credit? Contact NSCA! 📞**



## NEW ‘WHITE COLLAR’ EXEMPTION RULE UPDATE

By Maggie Comport

The “white-collar” exemption rule guarantees your employees a minimum wage for all hours worked during the workweek, and overtime premium pay of not less than one and one-half times his or her regular rate of pay for hours worked over 40 in a workweek.

### What Changed?

The changes to the white-collar exemption rule were announced by the U.S. Department of Labor on May 18, 2016:

1. Minimum salary required for an employee to be eligible for a white-collar overtime exemption has increased from \$455 per week, or \$23,660 annually, to \$913 per week, or \$47,476 annually.
2. Amount for the minimum salary requirement will automatically update every three years, based on the 40th percentile of full-time salaried workers in the lowest-wage census region.
3. Annual compensation required for the highly compensated employee exemption has increased from \$100,000 annually to \$134,004 annually.
4. Amount of salary required for the highly compensated employee exemption will automatically update every three years, based on the 90th percentile of full-time salaried workers nationally.
5. Up to 10% of standard salary level can come from non-discretionary bonuses, incentive payments, and commissions, paid at least quarterly.
6. No changes were made to the standard duties test.
7. Changes will be effective on Dec. 1, 2016.

### Take the Next Steps

Between now and Dec. 1, 2016, there are several things that integrators should do to prepare for these changes:

- Evaluate your current classifications of exempt employees in light of the salary test and the duties test.
- Evaluate which of your employees may be impacted by the proposed change (exempt employees currently making less than \$47,476 and/or employees who do not perform exempt-level work).
- Review your bonus, incentive, and commission plans, if any.
- Review your wage-hour processes and policies, including timekeeping for hourly employees.
- Develop communication plan for reclassified employees, if any.
- Develop new compensation plans for reclassified employees, if any.
- Prepare to train reclassified employees and managers.

### How to Get Help

As NSCA’s partner, Insperity is here to help. We monitor these proposed changes and will continue to provide updates. We can support you as you make any necessary transitions along the way. To learn more, visit [www.insperity.com/nsca](http://www.insperity.com/nsca). 📍

*Maggie Comport is a business performance advisor at Insperity.*

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# Back to BASICS...

By Dan Newman

## and Back to LOVING YOUR CUSTOMERS

Entrepreneurs experience good days and bad days. There are serious highs and lows, and that is part of the journey. Sometimes we go on runs of prosperity that feel like they will last forever. Other times, we find ourselves in dark spots that feel like a storm that will never pass.

I have those days, too, and I want to shed a little light on why I believe that getting back to basics should be a fundamental focus of every single business leader and owner.

### It boils down to customer experience.

Customer *experience*. Not products, not service, not processes, not marketing. Customer experience is the one thing in business that so often separates the winners and the losers.

When starting my business, I was relentless about being responsive to customers. When I felt even the slightest level of dissatisfaction from a customer, I picked up the phone and called to see what I could do to make them happy.

When business starts to get soft, or I lose a customer, I almost always look back at what type of experience I created for those customers. Upon review, almost every time, I find that I didn't build a deep enough, meaningful enough personal relationship to sustain the business relationship.

As we grow, we love building brands and image — but I am convinced that, unless you are Apple or Tesla, the experience you create is what is going to make or break customers. (Note: Apple and Tesla are really good at customer experience, but they are rare exceptions where their products may be more impactful than the ongoing service and support they can provide.)

I deal all the time with vendors and external partners that don't take this seriously enough. They take days to respond to an inquiry, or they won't take a phone call because they are "too cool" for the phone. When a customer doesn't feel the love, they will rarely complain — instead, they usually just take their money elsewhere.

It is six times more expensive to acquire a new customer than it is to keep one you already have — not to mention that you are 75% more likely to sell additional services to a current customer than you are a new one.

Focusing on your customers will make all the difference. For me, it's a good reminder. All of us slip up every once in a while. As business owners who fight hard to win business, we should put equal — if not greater — fight into keeping and growing the business.

Start and end every business day with your customers being top of mind. I promise that you won't regret it for a second. ▲

*Dan Newman is co-chief executive officer at V3B (V3+Broadsuite).*

# VISION The Value of an Organization's

By Brad Malone

Many AV integration companies start small, with three to five people filling several roles and performing many tasks. Roles and responsibilities often overlap, so the founding members understand each other's jobs and share a common purpose like: "Do whatever it takes to make the customer happy — and do some really cool work while we're at it." They know their reason for existence. They don't have to write it down. Everyone in the organization knows it and measures themselves against it.

Fast forward 10 years. The company has grown to 100 people, and three of the founding members have left. The two remaining founders serve as president and vice president of sales, and they wonder why other employees don't use "common sense" or place importance on the same things they do.

The founding members likely didn't communicate this "common sense" to their employees, nor did they explain the company's vision or mission and how they measure performance. They assumed that every new employee would "get it" and act accordingly. But new employees can't act accordingly because they don't know what "it" is, nor why they needed to get it.

So why (and how) does an organization create and sustain a viable vision and/or mission? Visit [www.nasca.org/value-organizations-vision](http://www.nasca.org/value-organizations-vision) to find out!

What can you do differently? Need guidance? We're part of NSCA's Member Advisory Council (MAC), and we're here to help. Contact us at [answers@navigatemc.com](mailto:answers@navigatemc.com). ▲

*Brad Malone is a partner at Navigate Management Consulting.*

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