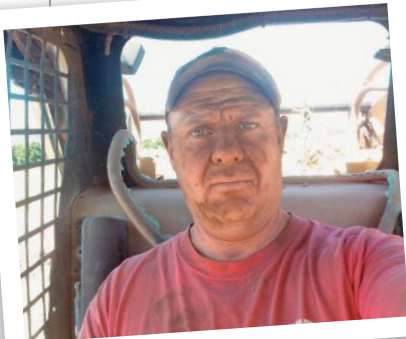


MYBIGGESTMISTAKE

LESSONS LEARNED THE HARD WAY » BY CASEY PAYTON



Bill Schwab believes people are good — for the most part — but he learned the hard way that a signed contract is still a necessity.



Mistakes come in all sizes. Bill Schwab after accidentally smashing his skid-steer window on the job.

COMPANY: Naturescape Landscape Co.

OWNER: Bill Schwab

HEADQUARTERS: Encinitas, CA

FOUNDED: 1991

EMPLOYEES IN A GOOD ECONOMY: 27

EMPLOYEES IN A BAD (THIS) ECONOMY: 8

SERVICE BREAKDOWN: 15% maintenance, 20% irrigation and drainage management, 65% design/build installation

2010 REVENUE: \$855,000

PROJECTED 2011 REVENUE: \$1,300,000

THERE WAS A time when a client's word was as good as a written contract. Bill Schwab, owner of Naturescape Landscape Co. in Encinitas, CA, says he can remember those days when he was a young man helping his uncle build golf courses. When he started his own business, Schwab felt comfortable taking work on

handshake agreements alone. But after a few bad burns — including one that landed him in court — he did a serious overhaul of how he handles business.

Willingness to do work without a contract typically happens with people you already know or friends of someone you know, says Schwab. There may be a level of comfort that doesn't make a contract feel necessary. Schwab was introduced to a couple by one of his old friends and took on some work for them with a written proposal, but no signed contract. From the start, there were indications the job was in trouble when the couple couldn't agree on the plans for the project. It became complicated even more and put on hold when wild fires swept through Southern California. A month later, when the job was back up and

running, the homeowner had decided he wanted additional work done. "I assumed he understood that meant more money," says Schwab. "But that was my biggest problem — I assumed."

When he sent the homeowner his weekly bill, including the new work, the homeowner called with six simple words Schwab says left him shocked: "Get your equipment off my land." In the end, the dispute went to court, an experience Schwab says made him realize that unless you truly earn enough money to make court worth the expense, "the only person who wins is the lawyer!"

"That job cost my company \$32,226," admits Schwab. "After that lesson I started keeping a Post-It note on my computer with that number. At the very least, it's a reminder of what happened as a result of no contract."

Since then, Schwab has made two significant changes to the way he does business. First and foremost, everyone signs an itemized contract. And not just any contract — the specific one that he draws up. That's important because Schwab says some clients may want to create their own terms.

Second, Schwab also has his foreman keep a journal in which everyday functions, conversations

and phone calls are logged. He says this minimizes liability if a court case were to arise. "This is held consistent as a legal document in a court of law," says Schwab. "It is often classified as a legal record and can actually save your hide."

Having everything written out in an itemized contract also limits liability, says Schwab. "With an itemized contract the only thing you can be held liable for is the item in dispute — and it's all there in black and white," he adds.

Today, Schwab's contracts are as detailed as possible. "It is quite common to have 20 pages detailing every item, right down to the screws and minor hardware," he says. "A non specific contract can be as loosey-goosey as a handshake. I've seen \$50,000 jobs from my competitors that were written on one page. Without exact definitions of the scope of work, how can you possibly manage the expectations of your client and turn a profit?"

Schwab says his mistake in working off handshake agreements has been a costly but valuable lesson. While he still believes, for the most part, that people are good, he also knows now that it's critical to his business that he draws up specific terms in a signed document. The bottom line, he says, is not to do anything until you have that signed contract in hand.

Payton is a freelance writer with six years of experience covering landscaping.