



THE ACADEMY OF ELECTRICAL CONTRACTING

PAPER PRESENTED BY FELLOW
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PARTNERSHIPS AND JOINT VENTURES
A Business Strategy for Success
A HISTORY OF PARTNERING

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ERMCO was founded in 1962 as a small electrical maintenance company with a staff of three. Over the decades, the company has grown to be one of the leading electrical and systems contractors in the U.S. One of the keys to ERMCO's success over the years has been our dedication to utilizing partnerships and joint ventures with other electrical contractors as a way to grow.

It's not new for ERMCO to enter into partner relationships on major projects. In the early 70's, ERMCO completed work on DeBartolo

shopping centers in several states, always working with the area's NECA Chapter to find a local contractor with a strong field force, good local vendor relationships, and a good reputation in the community. Through the years, ERMCO has completed many more partnering projects as listed below. Together these projects, many completed with other Academy members, have provided a solid foundation on which to build our company.

Years	Project	Location	Partner		Years	Project	Location	Partner
1984	Baptist Hospital	Memphis, TN	T-A-M Electric		2000-Present	Indiana Univ. (Mult. jobs)	Bloomington, IN	Cassady Electric
1987	The Pyramid	Memphis, TN	T-A-M Electric		2012	Barclay Center	Brooklyn, NY	E-J Electric
1980's	Disney World (Mult. Jobs)	Lake Buena Vista, FL	Sanborn Electric		2013	Miami Valley Racino	Lebanon, OH	ESI, Inc.
1994	The AlamoDome	San Antonio, TX	Martin-Wright		2014	URENCO USA Uranium Enrichment	Eunice, NM	B&D Industries
2000	Paul Brown Stadium	Cincinnati, OH	United Electric		2015	AVAYA Stadium	San Jose, CA	Sprig Electric
2001	Heinz Field	Pittsburgh, PA	Sargent Electric		2016	IPL Coal/Gas Conversion	Indianapolis, IN	Sachs Electric
2003	Toyota Center	Houston, TX	Melton Electric		2016	FISSERV Generator	Austin, TX	Alterman Electric
2006	Harrah's Hotel	Metropolis, IL	J. M. Walters		Current	NOLA Airport Expansion	New Orleans, LA	Fritschertz
2008	Reid Hospital	Richmond, IN	Cummins Electric		Current	Mt. Carmel Hospital	Columbus, OH	Superior Group
2008	Lucas Oil Stadium	Indianapolis, IN	Sachs Electric		Current	Kentucky Cvtn. Center	Louisville, KY	Henderson Svcs.
2010	YUM Center	Louisville, KY	Henderson Services		Current	Notre Dame (Mult. Jobs)	South Bend, IN	Koontz-Wagner
2010	Union Hospital	Terre Haute, IN	Sycamore Engineering		Current	S. Bend Children's Hosp.	South Bend, IN	Koontz-Wagner

Historically, we had a reactive approach to partnering opportunities, responding to an invitation by an owner, GC/CM, or fellow electrical contractor based on a particular expertise they felt we brought to the project.

More recently, we've been proactive in pursuing projects when we believe we can provide value. This has become much more feasible due to the network of relationships we've built with other contractors throughout the country through our participation in NECA regional and national activities, ELECTRI International, the NECA Academy and the Electric Roundtable, a peer group of 11 premier contractors located strategically across the U.S.

As we consider becoming involved in a joint venture (JV), it is extremely important that each partner brings true value to the project. If each party don't bring something to the table through a specific expertise, a special relationship with an owner or GC/CM, bonding capacity, key personnel, purchasing power, an outstanding safety record, local reputation or a myriad of other potential value added components, then there is no real purpose for the partnership.

A great example of the ideal JV model was Reid Hospital in Richmond, IN, which was completed in 2010 and included approximately \$32 Million in electrical work.

Our partner was Cummins Electric, Richmond, IN. We had known Tom Cummins and his company for many years through their participation in NECA, where they've always been highly involved, including Tom's service as Chapter Governor for many years.

Cummins, who is smaller than ERMCO, had done the maintenance work in the hospital for years. The Cummins organization is well respected in the Richmond community. The work at Reid was under the jurisdiction of the Muncie/Richmond IBEW Local # 855. Cummins had a history of working extremely well with Local #855 and had a core group of local, talented and trusted craftspeople to dedicate to the project.

ERMCO's relationship with Turner Construction, the Construction Manager for Reid, was equally important to the success of this project. Turner had selected ERMCO as the recipient of their Subcontractor of the Year award three years in a row. We also brought hospital expertise, financial stability and JV experience. The combination of ERMCO's and Cummins' management teams assured Turner and the owner that they had the optimum electrical team in place to successfully complete this critical project.

Closer to home, just a few miles from our home office, the Indianapolis Midfield Airport project was the first time ERMCO had entered into a joint venture on a major project in our own market. This partnership was unique in that the roles were reversed. ERMCO brought the local relationships and the strong local work force to the team, while Sachs brought a history of expertise in the management and installation of airport projects and the required engineering capabilities.

At the same time, the ERMCO/Sachs JV then continued our relationship with work on Lucas Oil Stadium. ERMCO's expertise in the sports industry has included the completion of many major stadiums and arenas across the U.S., as well as all major sports facilities in Indianapolis.

Sachs had just completed the Cardinals Stadium in St. Louis. Both companies had established outstanding relationships with Hunt Construction Group, the Construction Manager for the project. All of this led to another highly successful venture.

Some of ERMCO's team members asked why we decided to "team up" on these local projects, pointing out that ERMCO could handle this work in our own backyard without a partner. Individually, any one of these jobs is within the ability of ERMCO's team.

However, when we look at the bigger picture, these joint ventures provide many benefits such as:

- Allows us to stretch our field and management talent
- Allows us to stretch other resources such as bonding capacity, tools and equipment, cash flow needs, etc.
- Allows us to continue to properly serve our core customers and still handle these mega-projects simultaneously
- Taps into notable talent in other companies, and lets notable talent in our own company really shine
- Allows us to prepare and compare dual estimates
- Allows us to share the risks across our partnered companies
- Allows use to learn the best practices from other premier contractors

KEYS TO A SUCCESSFUL PARTNERSHIP

Partnerships are truly all about relationships. We have participated in major projects around the country with contractors we have met through our various networks. Getting to know each other, building mutual trust and respect before a project is even available, makes it much easier to hit the ground running when an opportunity arises.

Key to all of these relationships is the understanding that they are much like a marriage. It is extremely important that both partners treat each other with respect and care, are always aware of what is important to the other, and do everything possible to allow both partners to achieve success and get what they expect from the partnership.

Again like a marriage, open communication is an important factor to a successful partnership. Each partner must openly share their goals for the project, both financially as well as other goals they plan to accomplish such as gaining added experience for their staff, solidifying a particular relationship, etc. These need to be clearly understood from the very beginning and documented consistently.

A crystal clear contract that addresses all potential issues and is understood by all is vital to the partnership's success. Over the years, we have developed a model contract we use as a base, along with a detailed checklist of each issue that needs to be addressed. The contract should clearly address who the managing partner will be and who will keep the books. These roles are typically split between the two partners. Our partner, if they have previously completed many joint venture type projects, may have a similar document in which case we'll compare the two, discuss and resolve any differences, and come up with a fair contract acceptable to both parties.

Even with the best planning, a new item may come up during the project that no one thought about when the contract was being put together. Those can be worked out between the parties if everyone is truly interested in the main goal of being fair and doing what's best for the owner and the project.

Cash flow must also be discussed and clearly spelled out. Ideally, the job can get ahead on cash early and cash flow itself. Until that happens, it must be determined how the costs and funding will be handled. These issues need to be worked out and included in the contract.

There also needs to be an understanding of when profits will be distributed. We have typically waited until very late in the project to distribute any profits to avoid issues should margins drop.

A key understanding is that one partner should never profit at the expense of the other partner. For example, rental of tools to the project should not create a profit center for either partner to the detriment of the other. There are endless situations where this rule should be applied. If this philosophy is followed and all decisions are made with this in mind, both the partnerships and the projects will be successful.

While it hasn't always been the final arrangement, our approach has always been to strive for a 50/50 partnership, regardless of the exact amount being invested by each party. Each party is bringing unique talent and resources to the partnership that makes it stronger than either of the parties would be on their own.

By each party having an equal opportunity and an equal risk, it creates an atmosphere where everyone is making the best decisions for the job. In every case, the best individual available should be assigned to each role, regardless of which partner they work for. This arrangement allows the partnership to avoid issues such as who will be spending more and who will make more profit, issues that could lead to distrust and inappropriate decisions. With a 50/50 split of risk and reward, decisions are based solely on what is best for the project.

Along the lines of communication, regularly scheduled Progress Meetings should be held with the project management team and the leadership of both parties present. These should be formal meetings with a set agenda, run by the managing partner. Minutes should be kept and distributed to everyone involved in the project. These meetings are the time for all issues to be discussed in an open and productive manner.

It should also be very clear where the partnership starts and where it ends. At the beginning there are typically a lot of up-front costs expended by both parties in securing the project. It needs to be determined at the very start what costs are to be borne by each party as business development expenses and at what point these costs start becoming expenses to the joint venture. On the other end of the projects, there will be last minute changes and auxiliary projects that come up. There needs to be a full understanding as to when the joint venture ends and what projects will then be completed solely by the local contractor.

Above all, the most important factor is mutual trust, not only between the companies but between all individuals involved with the partnership. It is management's job to monitor the relationships between the individuals assigned to the project and ensure that each one buys into the spirit of the partnership described above.

IN CONCLUSION

Our goal has always been that each partner leaves the joint venture as a better company than when they began. We have never participated in a joint venture or partnership that we haven't learned something from our partner that improved our organization. We strive to make sure that is true of our joint venture partner as well. It is our goal that the project makes a fair profit for both parties, that the owner gets the very best project possible, and that the local partner creates a relationship with the owner that leads to a lifetime customer for them.

These partnerships are not viewed as a statement that we can't complete the work on our own but as a strategic goal to use the talents of our team members and the assets of the company in a way that enhances and maximizes the value to our customers and allows us to meet our strategic goals to grow our company.

ABOUT DARRELL GOSSETT

Darrell Gossett is a native of Indianapolis, Indiana. After graduating from high school in 1970, he attended IUPUI while, at the same time, beginning his career as a full-time employee at ERMCO, Inc., an Indianapolis based electrical contracting firm started by his father, Ed Gossett, in 1962. Beginning as a warehouseman while still in high school, he has held nearly every position within the company during his 47-year career, moving to President 1998 and to Chairman and C.E.O. in 2015. Darrell's brother, Greg, became C.E.O. in 2017 while Darrell continues to serve as ERMCO's Chairman.