Sure, business opportunities in construction right now are tough.

But if you’re bidding jobs too low just to get the work—you’re well on the way to bankruptcy.

That’s the warning from Irving M. Fogel, a Professional Engineer who owns the consulting engineering and project management firm of Fogel & Associates.

Fogel contends that steering clear of the road to bankruptcy is a matter of developing and then tuning into an early warning system that alerts management to current problems and could develop into full fledged disaster if not heeded.

There are a number of tell-tale signs.

For instance, the best known one—if the spread on your bid on a particular job is much greater than any of your competitors, whether on the high or on the low side, it could be an indication that something is wrong.

When you find yourself in this position even once an immediate check is in order. Your low bid should be established on a better or cheaper way of doing the job—and not on a haphazard method for checking bids before they are submitted.

Two of the most indispensable tools in managing a construction operation are 1) cash flow projections and 2) a good cost control system.

Without either or by improperly using them is an invitation to possible financial troubles. There is no reasonable, dependable way to determine if a job is profitable or not without a cash flow projection based on anticipated progress for each job.

In the absence of such planning, a contractor can not adequately determine if his cash flow needs are ahead or behind schedule—and one of the most predictable signals of trouble is a negative cash flow.

A good cost control program—not necessarily a complicated one—enables management to spot problem areas in time to do something about them.

There are other advantages of a good and properly run cost control system, Fogel continued. It also serves as an early warning sign that the work actually being done in the field is not what was expected because, perhaps conditions have changed. Consequently, the contractor may in fact be entitled to more money because of extras or unforeseen conditions.

Another easy-to-spot danger signal is the falling behind in project schedules. Fogel explained that every job, no matter how small, should be afforded some projected schedule thinking. As soon as the work begins falling behind schedule, the contractor should initiate corrective measures immediately and put things back on the schedule. Perhaps the phrase, “Time is Money,” may be shopworn from extensive and long-time use, Fogel said, but it still applies in virtually every construction instance.

When done inefficiently and dragged out, wrapping up a job can be a source of major problems. Not only are retention monies often involved, but too often the way finalizing is handled can indicate a problem either with the job or within the contractor’s organization itself.

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The cost of the “little things” may occur on a nickel and dime basis, but they tend to add up with astonishing speed—and amount. This makes it much easier to lose track of the amount of money actually being spent, Fogel emphasized.

Among the other danger spots a contractor should be monitoring closely are shaving too much off of tier contractor and material suppliers’ quotations, with the contractor continually buying out short; too much and too heavy front end loading on one project to obtain needed cash to finish another project already under way; and not recognizing and/or not collecting for extras.

The most universal practice, Fogel mentioned, was that subcontractors do not review a project after completion. This, the consultant said, “is one of the greatest failings in the industry.

Such an inspection, preferably with the estimators, buyers and their field personnel participating jointly, Fogel concluded, can be very useful in cementing future relations by pointing out weaknesses and highlighting areas that require special care on new and ongoing projects.

At the same time, after completion inspections could also point out extra work that may not have been picked up during the project itself.