Handling Responsibility in Construction

Much of the Financial Woes of Wall and Ceiling Contractors Can Be Traced To the Methods of Allocating Responsibility

Why are so many wall and ceiling as well as other subcontracting firms now finding themselves in such desperate financial straits? The very root cause for the monetary and work-generating problems faced by subcontracting firms today is the way in which responsibility and the allocating of responsibility is handled by the presidents and principals of contracting companies.

From our experience as both general management and marketing consultants to the construction industry, we have found that a general or sub’s financial condition and his ability to generate enough new business to produce real growth is based on whether or not he can allocate responsibility correctly. You can talk yourself blue in the face citing other economic and market factors, but we’ve found that this one facet of management skill is the bottom line as to whether a general or sub does or doesn’t survive.

Editor’s Note: The author of this article, John R. Kubasek, is founder and president of John R. Kubasek & Associates, Inc. of New York City, a full-service consulting firm with a wide range of contracting, engineering and architectural design clients nationally and internationally.

By John R. Kubasek
Construction Consultant

Through these experiences, we’ve found that principals of contracting firms (many of whom, today, are professional engineers) can build the most complex building imaginable . . . but are truly dreadful at implementing two very basic management functions: (a) management/personnel selection/screening and (b) supervising and allocating responsibilities and objectives to management personnel.

I explicitly say management personnel, because the contracting company president is usually fine at picking field people. He can tell you what makes a great general superintendent, project manager, foreman, etc., but he really has no idea what functions his key executives should be performing. And, just as importantly, the principal often doesn’t know how his key executives should be evaluated for success, what objectives are realistic or unrealistic and certainly, he has no idea what his marketing people should be like.

To help general and major sub contractors overcome these two formidable management difficulties, I’ve outlined nine Major Points . . . or constructive suggestions . . . that principles of general and sub contracting firms should be aware of when assigning responsibility to subordinates.

1. Don’t Look to be Loved!

Don’t hire a man because you like him, hire him because he can do the job.

Despite the family nature of the construction business and its image as a ‘rough and tumble’ industry, principals of many contracting firms are human and want to be liked. This need to be accepted by others results in a fundamental mistake on the part of the company chief: looking at management/executive personnel as ‘friends’ as well as business associates.

It’s all well and good to select a man for a job because he is a ‘personable’ and decent human being. We certainly, prefer that type of person in the everyday work environment. However, being a “nice guy” and doing a “good
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job” don’t necessarily go hand in hand.

Simply stated, the best man for the job may have a personality that (personally) grates on the principal of a general or sub contracting firm. For example, a Director of Marketing may be considered “too aggressive” by a general or sub contracting principal. However, if the marketing man is not alienating present or prospective clients, his personality may be an integral part of his success.

A principal’s criteria for judging a key executive’s personality traits must be: Can he do the job and do it without aggravating everyone else around him?

Expanding on this point, general or sub contracting presidents who have any qualms about their ability to select the right person for the right job should use the “buddy system.” If the president can come to grips with the fact that he cannot “read” executive applicants well, he should not be too proud to call in a consultant or up to two trusted friends to actually work with him during the applicant interviewing and screening process.

There is no law against getting the opinions of valued and trusted people. Furthermore, many times the candidate is viewed through totally different eyes when there is more than one person involved, which ultimately leads to more objectivity.

2) Write a Job Description for the Job You Want Filled

Time and time again, “we consult with clients and when we ask “What precisely was this person expected to do?” the answer we get is “That’s a good question; we never really defined that.” Well, how can you evaluate someone’s performance if you never accurately told the person what they were supposed to perform and what they were supposed to achieve?

In addition to accurately delineating the job responsibilities of the open position, writing a thorough job description can help define other key executive positions more completely. Also, a contractor may discover where overlapping responsibilities may be creeping into the overall operation.

3) Attach Money and Limits to the Responsibilities

In consulting sub contracting presidents around the country, as to why their people may not be performing, “we consistently find that a person is given a title, a vague description of responsibilities, but isn’t told how far in the decision-making business he or she can go. Even more importantly, many managers and construction executives waste a tremendous amount of time getting approval from the prin-
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Principal of the firm for “nickel and dime” items that cost $50, $75 or $100.

A company president must define what decisions his key executives can or cannot make on their own. It is also absolutely necessary that the firm’s top executives be quoted a dollar figure up to which they can spend without the principal’s approval. An “incorrect” decision that costs the firm $100 is probably still a far more cost effective one than a situation where $250 of manpower, time and effort is spent getting decisions on a $100 item.

4) Fire Non-Performers!

As harsh as the action may initially seem, I sincerely believe it is in the best interests of the company and the individual involved when all the alternatives are considered.

Incredibly, many general and sub contracting principals believe their image as “no nonsense” heads of companies when they feel they are directly hurting someone through termination.

An inability to fire non-performing executive personnel only reinforces the “Peter Principle” of creating dead wood within the firm, leading to increased operating overhead via salaries and expenses and friction among those people who are performing within the company. In addition, chances are that the non-performing individual knows he is not performing and would be much happier in a position where there was at least a reasonable chance at success.

In short, work out an amiable termination, but work out a termination!

5) Don’t Create an Inter-Departmental Circus

If you are a specialty contractor selling more than a single service, don’t expect divisional or departmental managers to act in concert regarding shared functions or expenditures.

In theory, this process should work; however, human nature being what it is, problems inevitably arise. Using the marketing plan/budget as an example, many so called “level-headed” executives are seen as they begin fighting over a piece of the “marketing pie” and demanding that work for their department be done “yesterday,” regardless of what the other departments’ marketing needs were at that point in time.

I don’t understand why many contracting firms of this type are adverse to hiring executive vice presidents, whose primary responsibility is solely the day-to-day management of the firm. One reason may be contractors’ inability to accept the “overhead” of a purely management person; another the unwillingness of the company president to really relinquish control. Many firms do not realize that a strong central second in command decision-making figure will ultimately save the firm many dollars more than what that person costs the company.

6) Too Much or Too Little is Never Enough!

The single biggest problem in the allocation of responsibilities in a contracting business seems to be that most principals either give too little or too much responsibility to their key people. Let them manage, but don’t let
them go until you don’t know what’s going on in the office or at the job site!

If a chief executive officer of a well structured construction company checks individual bids before they are submitted; supervises management personnel on a regular and organized basis; works directly with the marketing people; master plans the growth and direction of the company and solves the problems only “the boss” can solve, the company will grow and prosper very nicely.

I’ve seen many firms where growth has been very limited due to the “iron hand” of the CEO regarding the decision-making process. On the other side of the coin, and just as harmful to the firm, is an absentee management situation.

In this second scenario, the general contracting firm president lets the company “run itself” . . . many times right into the ground! The day will come, sooner or later, when the CEO who has surrounded himself with “yes men” . . . who keep telling him everything is going “fine” . . . will wake up to find jobs going “bad” back-to-back. If the president had visited the job site for 20 minutes, he would have clearly seen that everything was not, as his “trusted” key executives told him, “under control.”

Sub contracting firms can “run themselves” (under the guidance of a strong second-in-command) for a much longer period than generals. Under the circumstances of illness or emergency conditions, many generals
can also run themselves, too, but under normal operating conditions, the firm cannot do that for very long before getting into serious trouble.

7) Don’t Divorce Yourself from the Marketing Function!

It is a serious mistake for the president of a contracting office to allocate 100% of a function to another person or persons.

A fine and solid organization, where the second in command supervises the work of a superintendent who oversees one or possibly two foremen can shoulder 90%-95% of the load. However, the company president must always maintain 5%-10% of the field supervisory weight.

This responsibility could range anywhere from closing a change order deal to simply being available for some social handshaking. But, no matter how “trivial” these functions may be considered, the CEO should always be available and responsive to the function.

If you’re an owner who is making anywhere from a $2-$10 million investment in a building, you’d kind of like to see the person responsible for spending your money. No matter how “trivial” these functions may be considered, the CEO should always be available and responsive to the function.

If you’re the CEO of a general or sub contracting firm, make a conscious effort to train your people to not only come to you with problems, but to have the solutions thought out as well.

8) Don’t Create a Paper Mountain!

Ironically, it is the same presidents of generals and subs that complain to me most about the mountain of paper work they are constantly faced with who turn around and create the very reporting systems that result in these paper work jungles!

While there is nothing wrong with reporting systems or reports per se, the president should impress upon his staff that the values of quality, brevity and honesty in words will earn them more (in real dollars) than quantity.

To paraphrase an old show business axiom, “if you can’t write your idea (or answer a question) on the back of a business card,” I don’t want to hear it.

9) Inspiring Problem-Solving

I’ve seen time and time again key, high paid executive personnel come into the president’s office in a contracting or sub contracting firm and say “we have a problem” . . . and that’s the end of the conversation on his part!

If you’re the CEO of a general or sub contracting firm, make a conscious effort to train your people to not only come to you with problems, but to have the solutions thought out as well. Otherwise, they’re only doing half their jobs.

To teach executives to “think on their feet,” the CEO should. not give them the answers to the problem immediately. Instead, the CEO should look them straight in the eye and ask: “What would you do if I was in the hospital, sick or away on vacation for a month? How would you solve the problem?” This is the only technique that trains the executive to think in that manner and it takes a consistent, deliberate effort over a long period of time to turn them into “problem solvers” as well as “problem finders.” The results are well worth the effort.