“How to Succeed in Business... By Really Trying!”

California Contractor Peter Berger Shares Practical Tips From His 30 Years of Experience Managing a Business For Profit.

Thirty-one years ago, Peter Berger and his brother Paul had a pickup truck and $600. Peter had recently finished a stint in the Navy, and was "looking for something to do with my life." The two brothers admired a friend who was involved in general contracting, and asked his advice about starting in the construction business.

We wanted to be general contractors, too," recalls Peter, "so our friend suggested we first learn the hardest trade, which he said was plastering. But we soon got so busy with work, Paul and I never got around to general construction-and have stuck with plastering ever since."

Berger Bros., Inc., of Azusa, California, today enjoys an annual volume of more than $25 million. The unionized company works within the five major counties of greater Los Angeles and offers plastering, drywall, metal framing, and fireproofing. The Bergers chiefly perform commercial and institutional projects, ranging in value from $200,000 to more than $7 million, with a peak workforce of more than 300.

Married 30 years, Peter has nine children ranging in age from 11 to 29. His son Mike is a project manager—while nephew Brad is vice president/general manager, and nephew Bob is a plastering supervisor. The two brothers split the workload, with Paul Berger handling the company’s field operations and Peter the home office.

As such, Peter—who currently serves on the AWCI Board of Directors—handles all the firm’s business administration and finances. In this interview he shares practical tips, gained from three decades’ experience, on how contractors can enhance their projects' profitability throughout the various stages of a job.

DIMENSIONS: Since you handle the company finances, let’s talk about tips for keeping projects profitable. Maybe the best way is to go through a typical job step by step—and that starts with bidding.

BERGER: You’re right, it starts with bidding. The right numbers, or the wrong numbers, have a huge impact on how profitable a job may or may not be.

Because our company does good work, most of our bids are with repeat or referral customers. In fact, usually the company has more bid opportunities than it can handle. But since we so often bid with general contractors who are known quantities, that acts as a sort of prescreening. Thus you could say good performance brings us repeat customers; repeat customers let us bid more intelligently based upon past experience; and more intelligent bids give us better profits.

However, I would say the best way to bid profitably, is to keep good records of all your projects. Our company breaks down every component of every bid, by square foot or linear foot. Then the information is run through our computer, and cost projects are made based on productivity and cost data from past jobs.

Building up that database starts with a good recordkeeping system to capture all the needed information. For example, we have our...
workers put both their hours and their tasks on daily time cards. When the combined information is put into our system, the computer can then perform job-costing analyses automatically.

Our company runs those analyses weekly. Then every week we hold a staff meeting with all our managers and supervisors, so the information can be acted upon while it is still current.

**DIMENSIONS:** Once the job is awarded, you’ve got to write a contract. Subcontractors often miss unfavorable clauses or one-sided provisions, then get “caught” later and lose their profit. What do you look for in contracts?

BERGER: Typically, we’ve got to base discussion upon the GC’s contract form, rather than submitting our own form. Sometimes we’ll put qualifications in our bid, saying the price is only good if certain modifications are made to the agreement. But in any case, it’s important to review documents carefully before signing.

Contracts seem to be getting more and more involved these days. Even GCs themselves will modify or replace their own standard forms from one job to the next. But as a rule, there are some basic items our company always watches.

For example, we look at the time allowed to complete work, see how pressed the company would be to comply, then check if there’s a late completion penalty. Such clauses as hold harmless provisions, insurance requirements, and payment terms—is payment for materials made upon delivery?—can all impact your eventual profit.

Try to anticipate potential problems, particularly if it’s a customer you don’t know very well. When you see a particular clause you don’t like, just cross it out; GCs will usually accept changes. And if it comes to negotiating, then decide in advance how far you can go—and stick to it!

Again, one key to effective review of contracts is keeping good records. Our company maintains a file of all our old contracts. Then when we review a repeat customer’s standard form, we see what modifications were necessary before. Not only does that save time, since you don’t have to reinvent the wheel, but it also assures you don’t miss something, which can be easy to do with complicated contracts.

**DIMENSIONS:** When the contract is signed, it’s time to get started. For example, you’ve got to order materials. Do you have any suggestions for enhancing profit at this stage of the job?

BERGER: The project manager for each job reviews the specs. Then we try to make as close a fit as possible, and tailor the materials to each project. If it’s a multi-story building with a lot of repetition, for example, we can send pre-cut studs and drywall to the jobsite. That way, the company eliminates waste and saves time, increasing our profits.

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Always be sure to get bids from more than one supplier. While developing good supplier relationships is important, it’s a bad idea to tie yourself too closely with one company. If the supplier feels you’re “in the bag,” price and service can suffer. Shopping around isn’t “disloyal,” and suppliers who are professionals will know and respect that.

In fact, there’s another good reason to be familiar with many suppliers. On any given project, one supplier may be more suited to handling your requirements than another. Then on the next job, the situation may be reversed. Knowing many companies gives you flexibility to deal with whatever suppliers are best able to handle particular projects.

**DIMENSIONS:** What about equipment needed for the job? Is owning or renting better for a contractor’s profit picture?

BERGER: Some equipment you can’t rent, because of availability problems. But our company prefers to own our equipment, so we can respond more quickly to our customers—and again, so equipment on the jobsite can be tailored to the requirements of each individual job.

We maintain an equipment yard where the company keeps and services all its own vehicles, mixers, guns, pumps, and handtools. To prevent downtime, we even have the ability to service our trucks right on the freeway if they break down, or tow them back to the yard if necessary. However, the best advice is...
Instituting a regular preventive service program; for example, our guns and mixers are serviced weekly, and our vehicles are serviced every “X” number of miles.

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Dimensions: After materials and equipment, the other item you need to begin a project is labor. Most contractors say labor is their largest job cost—and therefore controlling labor costs is the biggest factor in making profits . . .

Berger: I would agree with that statement wholeheartedly! Of course, our company has been unionized since we started 30 years ago, since at that time the unions were dominated in southern California. Now many contractors are non-union, and I can see a day ahead when the local unions will be diminished from even their present role.

But most GCs here are still union, so most of the jobs we perform require union labor. Yet even if that weren’t so, we feel being a union shop gives us stability, and lets us be able to anticipate our costs better. Those two factors are important when you have a core of about 250 full-time workers, and a peak of more than 300.

My philosophy for maximizing productivity is decentralization. What I mean is that each foremen picks his own people for each job. Thus our hiring function is decentralized. That way, the person who does the hiring is the one closest to the job, and who best knows its requirements.

I’ve talked before about tailoring the needs of each job, and that applies to labor as well. Through decentralized hiring, we can “specialize” particular workers for particular project requirements.

Dimensions: Once the job is underway, contractors have to maintain control. Otherwise, the profit picture can quickly deteriorate. How does your company monitor job progress?

Berger: Project managers are assigned to each job and usually visit the site at least once a week. And as I mentioned earlier, we also run computerized job-costing reports and conduct staff meetings on a weekly basis.

One real challenge for maintaining good job progress is dealing with change orders, since these usually involve overtime. Company policy does not necessarily require formal written authorization to proceed, but we do keep exhaustive records on change orders, since collecting payments can be a problem.

Dimensions: Speaking of payments, that’s the next—and final—step in our typical project. Subs can do all the right things but, if GC’s string out payments, profits can disappear. What’s your advice?

Berger: This is such an important item, our company employs a full-time staff member who does nothing all day but collections. But even contractors who can’t afford that luxury—though for me, it’s a necessity—can still practice the basic principles. And that is really “bird-dogging” your customers on late payments.

Whenever a contractual date goes by without payment, we follow up immediately and try to get a commitment on what date the money will be paid. It’s absolutely essential for subs to keep on top of late payments, and let GCs know about it—often! And if our billing amount is ever questioned, we make sure there’s plenty of documentation to back up our invoice.

Usually our contracts require a 10 percent retainage. Waiting until project completion to receive that money is hard enough. Our company always keeps a sharp eye out for when notices of completion are filed, so we can push for release of our retainage as soon as possible.

Watching for notices of com-
pletion is important for another reason. If completion is delayed, we don’t want the time on our lien rights to run out. Subs who don’t keep on top of this can have their lien rights expire without their even knowing it.

**Dimensions:** How about overall business cash flow and finances in general? Do you have any suggestions on how handling money can improve a contractor’s profit situation?

**Berger:** Develop good relations with your banker, and establish a line of credit upon which your company can draw when needed. It’s also important to deal with professionals when it comes to banking, insurance, and bonding.

Keep these professionals informed of your company’s activities. Maintain good records, and show them reports on your backlog. The more familiar they are about your company’s operations and business cycles, the more able, willing, and confident they’ll be to help you. If a banker, insurance agent, or surety bondsman is confident your slow time will be followed by a busy time, he’ll be glad to help you over the hump.

**Dimensions:** By meeting with other contractors, whether at local chapter meetings or national conventions, I can share ideas and experiences. I can learn how someone else solved a problem my company is having, so I save time—and money—by avoiding trial and error. Our local AWCI also maintains an excellent library, and I frequently find that a great help for our company.

**Dimensions:** If you had to sum up your advice on maintaining profitability in just a few steps, what would you say?

**Berger:** I would say contractors should practice (1) smart money management, (2) good recordkeeping and documentation, (3) regular job-costing analyses, and (4) consistent follow-up with GCs on payments.