Making Money in
the Field

Your foreman is walking around with a toolbox of money. So are your dry-wallers and EIFS applicators. And that’s not all. There’s also cash hidden in their trucks, stuffed in their pockets and squirreled away in the job trailer. But don’t panic—they’re not up to anything illegal. They’re just doing their jobs!

Okay, so maybe they don’t actually carry cash, but they do carry with them a real, accountable dollar value that has direct impact on the profit of the job they’re on . . . and your company’s bottom line.

**Man-Hours and General Requirements**

On the jobsite, value comes in many different forms. First, there’s the value associated with the actual amount of time that your worker is on site performing his task. This value is commonly known as man-hours. Man-hours are the amount of time, expressed in hours, that it takes a worker to perform a particular job. For instance, an electrical estimator might assign one and a half man-hours to each duplex receptacle that is installed. If there are 30 receptacles shown on the plan, the estimator multiplies 30 (the quantity) by the 1.5 (man-hours) by his hourly billing rate for that trade (let’s use $40 per hour) to get a direct labor cost of $1,800 for installing receptacles. He continues on, assigning man-hour units to different work items such as switches, light futures, etc., until he eventually compiles his total direct labor cost for the job.

Another value at risk out on the site are general requirement costs. General requirements are the (very real) cost to perform work out in the field that’s not accounted for in the direct material and labor estimates. These values are items such as supervision, mobilization in and out, trucking and freight, temporary utilities, phone bills and much more. Strict discipline and control needs to be exercised by all workers in the field to ensure that these GR costs don’t get out of hand and escalate into profit-killers. So, armed with these definitions, let’s examine a few ways that the profit line item can be squandered in the field.

**Productivity and Profit**

Let’s discuss the relationship between man-hours and profit. Suppose an estimator calculates that his carpenter will take seven man-hours each to install a frame, door and all the door’s hardware. Let’s also assume (for the sake of argument) that our estimator is experienced and has done his homework gathering man-hour estimates from industry standards and his company’s own experience and historical data, and that his estimate is a reasonably correct.

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Well, you probably see where this is going. Once on site, our carpenter actually took eight and a half man-hours instead of the seven estimated. No big deal—it’s just an hour and a half difference. We’ll make it up. Well, did I mention that there were 92 of these doors? Or that our estimator (and his company) has long committed to the owner at the original quoted (lump-sum) price and can’t ask for more money? In the blink of an eye, we watch (92 doors x 1.5 additional man-hours x $34/hour) $4,692 march right out the door (sorry, bad pun).

**Searching for Solutions**

Now, you don’t need to be a mathematical genius to see that this is no way to make money in construction. But what do you do? Well, like so many things in life, there’s no one simple solution to controlling jobsite profitability. Many factors come in to play that affect the overall profit motive, and a true solution is actually a lot of little solutions. Often, the contractor’s most effective weapon lies in the ability of the superintendent and/or construction manager to be able to recognize, address and (hopefully) correct what I like to call “profit-depleting environments.”

Profit-depleting environments are those situations (and atmospheres) that offer fertile breeding ground for on-site losses and waste. The trick, of course, is to know what to look for.

Let’s take a look at a sampling of jobsite profit pitfalls and some remedies you can apply to cushion the fall.
Communication. I know this term is overworked, but there’s good reason. Poor (or sometimes a total lack of) communication is still the single biggest profit-stealer in our business. As humanly fundamental as it may sound, the fact remains that most mistakes in construction are more often than not the result of one person simply not understanding another person’s directions or instructions. The frustrating part about poor communication, of course, is that it’s easily remedied through simple human interaction and expression.

When applied to the jobsite, communication means that you, the builder, need to clearly, explicitly and (yes) even repeatedly convey your needs, wants and desires to all the people on the site. This can really only be accomplished through some type of mandatory and regular forum of interaction between workers, owners and designers, such as onsite job progress meetings. For an average-size commercial construction job ($500,000 to $3 million), you need to schedule construction progress meetings at definite, fixed intervals (such as every two weeks) and demand that all trades be represented at the meetings. The architect, engineer (if applicable) and an owner’s representative also should be present.

Once in the meetings, create clear hierarchies of information flow. Are change requests initiated only by the architect? How are plan and specification clarifications addressed? This is important. Otherwise, changes can spring up during the course of construction that may later be disputed in the name of “unauthorized” direction.

Go over and update progress schedules at every meeting and address any problems and concerns completely. If a remedy isn’t possible right then and there, establish a firm next step before adjourning. Never accept that a problem will simply work itself out—it never does. Also, speak in concise, definitive terms. Don’t use or accept responses such as the “middle of next week.” This is too intangible. Use “Wednesday at 8 a.m.” instead.

Planning and Scheduling. Planning can mean a number of things. First, there’s the plan represented by the
(long-term) construction schedule itself. This is the schedule that you were no doubt asked to submit at the beginning of the job. It’s a part of your contract, and you’re no-doubt bound to the completion date on that schedule. Though excellent for representational (owner) purposes, these long-term schedules are of little use regarding day-to-day scheduling and planning of materials, equipment and manpower.

For actual operations, another planning technique known as short-term or short-interval scheduling should be employed. Short-term scheduling is simply the act of taking a small, fixed period of time (the upcoming two weeks for example) and create a micro-schedule with far more detail and control for that period. This short-term schedule would include more definitive items such as labor requirements, material deliveries and critical equipment needs for that period.

Coupling this technique with the old long-term schedule (which still would control long-range scheduling items such as big-ticket material deliveries, inspection benchmarks, etc.) not only enables the project to be managed more productively but also helps to make the (mammoth) undertaking a little less overwhelming and easier to grasp for the superintendent or project manager. Short-term scheduling also assists in avoiding those all-too-often “early-morning stumbling around locating tools and people” gyrations that can plague some jobs.

Another form of planning happens on the jobsite. These are the everyday common sense (yet, mundane and so often overlooked) items like scheduling your people so they’re not working in the same place at the same time (congestion). When workers are stumbling over one another or constantly in each other’s path, productivity will surely suffer and tempers may begin to flair.

And then, there’s the placement of material on site. I know this one sounds elementary, but I still occasionally walk onto sites where the majority of (perhaps) the carpentry is occurring on the west side and all the lumber is stacked on the east side. By itself, one trip doesn’t hurt, but remember, we’re talking about many workers, many trips and the time required to make the trip. This can add up to real dollars by the end of a job. Another peculiar aspect of this longer trip has to do with how much more our worker will stop to chat (or otherwise get distracted) while on his trek across the site.

Leadership. Weak, lax or unclear leadership is a profit-killer. The more defined and clear cut the project goals, the more clear and precise the target will become for your workers. Besides preaching to your people that “productivity equals profit,” always keep in mind that leadership is contagious. If
the executive branch is clear and focused, the project manager and superintendent will follow suit and so on down the line. With everyone cognizant and clear regarding their goals, targets are met more often and outcomes are reached in a far more linear fashion.

**Worker Skill and Training.** This one can be difficult to discuss, but we all know there really are workers who are consistently more skillful, attentive and productive than their coworkers. From a productivity standpoint, this means that when it comes to profit, there is going to be a real and accountable difference between having your “A” crew frame that building versus the less-experienced, less-acclimated (and perhaps less motivated) workers acquired through temporary agencies or the local hall.

Now, I don’t mean to imply that these workers are just “bad news.” On the contrary, many times the lack of productivity is less about the worker’s competence and more about the lack of familiarity with the company and/or project, the learning curve that comes with any new job and the lack of the cohesiveness that comes with being part of the team—an attribute that can in itself facilitate a more productive work atmosphere.

**Job Cost and Field Reporting.** This is all about documentation—keeping daily and weekly job logs, job progress meeting minutes, transmittal letters (with all correspondence) and more. Now, I know it’s not easy finding time to stop and write something down. This is a habit born of strict personal discipline along with clear and enforced policy from the executive branch on
down. Thorough written records assist the contractor regarding disputed change orders or claims that may pop up once the job is over and basically (and effectively) bolsters overall organization throughout the job. I’ve noticed that an unexpected side benefit to keeping sound records is that you actually seem to encounter less day-to-day dispute. This is due mainly to the fact that the antagonists are aware that you're prepared and so are less likely to approach you with frivolous or petty items.

**Change Orders.** All jobs are going to have changes or clarifications during the course of construction. And, in the heat of battle, it’s easy to let minor additions to your scope of work go uncompensated. But like those man-hours in our earlier example, seemingly (at the time) small changes can add up to large amounts of money by the end of a multiple-month job.

Discipline and documentation is the key with changes. Make it clear to the architect and owner that oral instructions and/or changes will not be accepted; they need to be presented on paper. Also, define early on who is authorized to communicate changes and who is not. And stick to your guns! I know sometimes it’s hard to do that—I’ve been there. It’s natural to want to be accommodating to the owner and the schedule. But business is business, and most people understand (and respect) that you are simply protecting your company’s interest.

**Taking the Easy Way Out**

You may have noticed there are a few items that we didn’t discuss. When you began this article, you probably thought you’d be reading about cost-cutting methods associated with vehicles and fuel, small tools and blades, or trendier hints like how to save $600 a month on your long-distance by switching to Sprint and so on. But you didn’t, and there’s a reason. You see, for years, I’ve observed wonderingly as well-intentioned (but myopic) construction owners and managers
berated and chastised field workers for things like using too much gas, burning up too many blades and making too many phone calls all the while ignoring (or missing) the far more costly big picture.

These managers, lacking the ability and/or ambition to tackle the more ethereal, harder-to-grasp problem likes those discussed above, simply took the easy way out by opting to focus on smaller, trivial, yet easily distinguishable aspects of business all in the name of sound management. Besides being misdirected, this nit-picky strategy only served to create animosity between the managers and employees who simply viewed the actions as pettiness. In addition, this management style would inevitably come back to haunt the manager when later juxtaposed with the spending of (perhaps) hundreds of the company’s dollars for an executive trip, golf outing or other “marketing” event.

The point is, don’t get lured into this trap. Overall productivity is, and always will be, your goal. The small stuff will take care of itself. Only by creating a productive working atmosphere through implementation of the items we’ve discussed will you begin to achieve the proficiency and efficiency required to generate more profit on the jobsite . . . and make real strides toward improving your company’s bottom line.

About the Author
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