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By
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10

Dumb Things Contractors Do to Spoil Their Own Success
You may find this difficult to believe, and you may even want to sit down, because what I’m about to say may shock, startle and shake the very foundation of your being:

“We contractors are not perfect.”

(We’ll pause here for a moment to let you regain your composure. . . . . . . .)

All right, let’s continue.

Well, somebody had to say it. The reason I criticize our humble collective is because every day I look around and see construction contractors—including myself—doing our very best to cause our often paltry profit margins to become even more paltry by not doing the things that we know will help our businesses become stronger and more successful.

Of what things do I speak? Well, let’s take a moment and examine the 10 dumb things contractors do to spoil their own success, and you tell me if anything sounds familiar:

1. **Number One**

   We agree to schedules that we know are unrealistic. Face it, we’ve all had times, very late in the (often) harried negotiation process for a contracting project, when the budgets, preliminary drawings, specs, hard costs and contracts have been hashed and rehashed.

   Then, the real completion date gets unceremoniously injected into a conversation leading up to the signing, and (entirely coincidental, of course) it’s a full two and a half weeks shorter than the construction window that you’d been working under all along. So what do you do? You’re sure not going to trash the job at this stage, and you can see the owner’s serious about the date. So, for the first time on this job (there’ll be more), you reluctantly accept the change in plan . . . and hope you can work it out later.

2. **Number Two**

   We agree to profit margins that are lower than what we really want or need. Recently, I accidentally left a packet containing my own in-house estimate breakdowns (including profit and overhead numbers), material proposals and subcontractor quotations at the office of an architect I had met to close out a job (oops!). Embarrassed and feeling that I’d let my deepest, darkest secrets out of the bag, I expected to receive a call from the architect chastising me for taking advantage of the owner and reaping such outrageous profits on the job. Well, to make a long story short, I did receive the call the next morning, but instead of a reprimand, the architect—barely able to contain his laughter—snickered into the phone, “Is this really all you guys make on these jobs?”

   I think it would have felt better to have been
In 1974 ...

... Chinatown is name Best Picture at the Academy Awards.

... The Way We Were is Song of the Year at the Grammy Awards.

... Patti Smith releases what is considered to be the first punk rock single, "Hey Joe." Punk roars out of Britain during the late 1970s, with bands such as the Sex Pistols and the Clash expressing nihilistic and anarchistic views in response to a lack of opportunity in Britain, boredom and antipathy for the bland music of the day.

We try to be the owner’s friend. This all-too-human attachment commonly results from being in prolonged society with the owner over an often protracted construction project schedule. It simply becomes too easy to become friends with the owner. Now, of course, this is a wonderful achievement on a human level, but, unfortunately, we’ve learned from life that this type of relationship often finds itself at odds with the cold, clinical and calculated mentality required for sound fiscal, business reasoning. Better put, you’re more likely to give away items (work that you legitimately should have charged for) to a friend.

We try to be the architect’s friend. Similar to that above, but potentially far more damaging in that the architect is normally far more involved with the
day-to-day, nuts-n-bolts aspect of the project. With a friendly architect, it can be quite easy to fall into a pattern of give-and-take (you do this for me, I’ll do this for you) and swapping one favor for another (future) favor. Trouble, of course, arrives at the end of the job, when all these favors suddenly come to monetary fruition and the architect—who now mysteriously reverts back to a staunch owner’s representative—develops a severe and debilitating case of “selective memory” and doesn’t remember many of the promises that (coincidentally) would have afforded you additional compensation. Even more startling is that—even though struck down with this terrible malady—he still manages to recall (with crystal clarity) every credit that should be issued back to the owner.

**Number Five**

We accept people at their word. Running the risk of stereotyping, I’ve observed over the years that contractors, as a group, seem to have a marked inclination for taking a man at his word. Many have been in the game a long time and still embrace much of the old school philosophy, likely handed down from their fathers and grandfathers. This included sealing deals with a handshake and accepting verbal commitment—and shying away from demanding everything in writing—specially “gentlemen’s agreement-type” things.

But, of course, we live in a world different from that of our fathers’, and most of us have felt the sting of being too trusting. “Next time’s gonna be different!” you vow, after your most recent lapse. But then, sure enough, on the very next job, you fall right back into the same old pattern of accepting people at their word. And, at the end of the job, you get burned again . . . and the wheel spins ’round.

But chivalry aside, unfortunately, at some point you need to ask yourself if your (however laudable) explanation for accepting verbal promises is a reason—or an excuse—for your failing. Is your noble justification merely a way to cover up for the fact that you (and your crew) are simply being lazy in the field, failing to chronicle—in writing—cost and administer changes and clarifications as they ought to be done?

**Number Six**

We mishandle and poorly evaluate the impact of change orders on our bottom line. Mishandling change orders—particularly changes in the field—has an enormous negative impact on a contractor’s profit line item.

Changes in scope of work occur on virtually every construction project, and effective handling and administration of these changes is critical to maintaining a profitable job. The trouble is, change orders can show many different faces and can kick you in many different ways. It can be a truly daunting task to address every aspect. Of what aspects do I speak? Here is just a handful of ways that we allow the change order process to suck profit from our projects:

**We ignore small changes.** You know, the “not so big at the time” items that get added for no cost simply because they just seemed too small to generate paperwork—at the time. Things like running the base molding further than spelled out on the plans. Of course, the
trouble with small changes is that there can be a whole lot of them over the course of a prolonged construction schedule, and they add up to significant (and unaccounted for) dollars by the end of the project.

We give in to our public relation’s side. There is always the temptation (and I’m frequently guilty of this one) to “throw in” a change for an owner whom you wish to impress or win over for future work, or just because you like him. Though I could probably make a case for such gestures being periodically appropriate, the important thing to remember is to not get carried away with your generosity. Construction contracting is a business, and most owners (often business people themselves) understand perfectly the concept of charging for your product or service. If you feel you’re having a weak moment, call IBM and ask them if they’d throw in a free modem for your computer at no charge. Their response should get you in the right frame of mind!

We proceed with verbal changes, only to be rebutted completely when it comes time to collect (see Number Five!).

We proceed with changes without getting an adjustment in the construction schedule. Sure, there are some changes that truly don’t affect schedule, but there are many more that legitimately require extension. Asking for the extra cost of the change is often deemed enough by the contractor, but what about the liquidated damages that linger at the end of the job? The owner won’t be shy about demanding his penalty, so don’t be shy about demanding your rightful extension to the schedule.

We proceed with the changes before the item has been costed, or before the cost is agreed to by all the parties. On most construction projects, there is constant pressure to maintain the schedule, even in lieu of the owner and architect making changes that were none of your doing. And again, in the spirit of cooperation, you often proceed. But keep in mind that, from a business standpoint, once you perform that extra work, your negotiating position greatly weakens. You may at the end of the job, eventually be forced by the owner and architect (who is holding the money) to accept whatever remuneration they deem appropriate—an amount that can range from reasonable to laughable.

We fail to charge adequately for the additional office and administrative time that goes into administering change orders. I recently completed a city hall project where the amount of office man-hours required to cost, negotiate (phone time), account and administer only change orders was estimated to be around 250 man-hours. There were hundreds of them (the plans and specs were a complete mess). Indeed, it is not unusual for more hours to be put into processing changes on a job than are spent on the base contract! This is real time, and real money!
We fail to cost change orders in the same way that we’d treat a new job. Changes can come fast and furious, and often it’s all too easy to just take that additional louver quote from the HVAC sub, mark it up and shoot it out as a pricing proposal for change. But did you include supervision time, trailer, site telephone, layout, handling, etc., etc., in your bid? General requirements such as these can be legitimate parts of a change and should be taken into account.

And while we’re at it, have we tracked the material, labor and equipment required for the change separately out on the jobsite? Do time cards and material tickets break out the changed work? Did that information make it to accounting? And, finally, was it billed and collected? Don’t laugh—I’ve seen some that were processed just fine right up until the time it was to be added to the continuation sheet for billing, and then never made it!

Number Seven

We try to solve all of the owner’s problems. One of the chief reasons many of us got into ‘contracting in the first place is because we consider ourselves to be problem-solvers—mechanically and technically oriented individuals who enjoy focusing on and solving task after task. Unfortunately, this attribute also can get us into trouble on the jobsite.

You see, we problem-solvers also often have a marked tendency to express our opinions on just about any subject matter where we see a need—and we see a need pretty much all the time. On the jobsite, this gets manifested in the form of correcting (what we see as) flaws, errors and mis-steps in the construction and design of the project. The trouble is, sometimes the owner actually listens to what we say!

Now, the good news is that this is America, and we’re allowed to speak our minds. The bad news is, it’s not our job to design the building! That’s what architects and engineers are for, so let them do their jobs. (Yes, I know that sometimes they don’t do their jobs, but
that’s a problem that should be handled between the owner and the architect.) Besides, every time we open a “new can of worms,” the project schedule becomes clogged, having an ill effect on labor productivity. When labor slows, money is lost. So, keep your mouth shut, and keep the schedule moving . . . and be content in the knowledge that secretly you’re sooooo much smarter than everybody else on the planet.

**Number Eight**

We allow multiple punchlists. I’m not sure where or when the tradition of generating multiple punchlists came into being, but I’m sure a contractor wasn’t there when it occurred. This insidious practice pretty much throws fair play out the window and allows the architect to generate a punchlist (of which a third of the items may be fictional). Then you have to wait for the contractor to finish the list. Then you start all over with a new punchlist with new items (including nicks and mars that are caused by the new occupants of the new building).

I’ve had jobs with three, four and five different punchlists (with the architect holding our money throughout). It finally reached the point where I had to announce to the owner and architect that “We are done!”, pull my men, and demand my money. In short, there should be one punchlist-period.

**Number Nine**

We fail to defend ourselves from (growingly) partisan contracts and documents. Let me take this moment to point out something that you probably already know: We contractors rarely read the specification manuals cover to cover.

**Number Ten**

Regardless of reasons one through nine, we keep doing what we’re doing. Good for us!

**About the Author**

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