Construction Profitability Checklist

Controlling project costs for a better bottom line

According to the <u>Construction Financial Management Association</u>,

the average pre-tax net profit for subcontractors is between 2.2 to 3.5 percent.

While this makes many contractors more competitive, it's risky considering that even small problems on a project can quickly wipe out the small amount of profit.

Use this checklist to identify where you're leaving money and improve your overall cost control. Get a handle of these common challenges and improve your bottom line.

If you have any issues working through the checklist and learn that you may be leaving money on the table in your operations, there is a simple solution - Assignar Construction Operations Software.

For more information, visit www.assignar.com/lp/profitability Explore the Profitability Guide →

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Resource Utilization & Scheduling

Under and over utilization of resources puts a strain on your business and negatively affects profitability. Contractors must control a variety of costs related to project execution, especially the scheduling and utilization of their resources. The first step to improving profitability is to assess the use of these costs in getting the work done.

Conduct audits of your Labor Costs

- ☐ How often do you have to send workers home from the jobsite?

- ☐ What are the costs associated with that?

- ☐ What are the main causes of sending workers home from the jobsite?
    - ☐ Poor communication
    - ☐ Missing information
    - ☐ Project changes/delays
    - ☐ Quality of workmanship
    - ☐ Compliance issues
    - ☐ Employee burnout

- ☐ Are you consistently and evenly leveraging your skilled crews across jobsites?

- ☐ How do you minimise under/over utilised skilled resources on projects?

Labor costs are a major impact on your construction businesses bottom line.

Think about different ways that labor impacts your business. Contractors must assess and identify over and underutilized labor. This involves assessing the productivity, amount of rework required, and skill level of each individual worker, then using each to their best advantage in the field.

Not evenly distributing your best teams across projects leads to employee burnout and inefficient execution of project work. Ultimately impacting your bottom line.

Conduct audits of your Equipment Costs

- ☐ Distribution of equipment - where are your assets sitting idle?
    - ☐ On delayed projects
    - ☐ In the yard
    - ☐ In the shop

- ☐ What percentage of your assets are sitting idle?

- ☐ How many assets are due or overdue for maintenance?

- ☐ What are your unplanned equipment downtime rates and associated expenses?

- ☐ What kind of return do you expect from equipment? Are you close to your goals?

Each equipment asset should be treated like a profit center, with both income and expenses recorded against it.

Find out where each unit spends its idle time - delayed projects, your yard, or the shop. A high percentage of idle equipment is detrimental to your profitability. Also determine the outstanding maintenance required for each piece of equipment.

Evaluate your Processes

- ☐ How many crews/workers are you consistently scheduling?
- ☐ How many pieces of equipment are you consistently scheduling?
- ☐ How long does it take to schedule your crews & equipment each week?
- ☐ Do you have easy access and visibility into worker and equipment availability when scheduling?
- ☐ Can you easily schedule workers based on their competencies?
    - ☐ Licenses
    - ☐ Trainings/Orientations
    - ☐ Certifications
- ☐ What means do you use to communicate your schedule?
    - ☐ Phone calls
    - ☐ Texts
    - ☐ Emails
    - ☐ Bulk notifications through an app
- ☐ How much time do you spend communicating your schedule each week?
- ☐ Can you easily perform proximity-based scheduling?

Manual processes and tools, like whiteboards and spreadsheets, for scheduling are inefficient and fail to provide visibility across the business.

Workers should be scheduled by competency to ensure that those with the right skills are on the job when they need to be. The best workers in each skill area should be distributed evenly across your active projects, ensuring that each gets a quality crew.

Ensure that you're sending the right workers to the job depending on their skills and competencies. You can increase your productivity while avoiding rework and burnout, all for a healthier bottom line.

Equipment should be scheduled by proximity to the jobsite (in relation to other jobs as well), reducing travel and downtime. Something about critical path

Field Data & Admin Costs

To more successfully control your costs, you need visibility into your operations and a streamlined way of collecting critical data from the field. While many contractors use paper forms, collecting, storing, and calling back to that data can be a burden, especially when managing several projects, crews and other assets.

Without clear and effective communication, the team can get bogged down performing administrative or non-billable activities to keep the project moving and distribute the information everyone needs.

Conduct audits of how you manage data and costs around Labor

☐ How much money does rework cost you in labor every year?

☐ What are the main causes of rework in your business?
  ☐ Poor communication
  ☐ Missing information
  ☐ Change of scope
  ☐ Supplies/material errors
  ☐ Quality of workmanship

☐ Do your teams have access to the information they need to get their job done? How much time do they spend searching for that information?

☐ How much time do your crews spend looking for job information and requirements each week?

☐ How much time do your workers spend looking for adequate forms to fill each week?

☐ How much time do your workers spend filling out paper forms each week?

☐ How much time do your workers spend driving back to the office to submit paperwork each week?

☐ Can you effectively capture changes to the scope of work in the field?

☐ How much money are disputes costing you each year due to missing records/documentation?

Mis-management of labor data and ineffective cost controls can quickly weaken profit margins.

Your administrative team will need a process around collecting and sharing field worker forms and documents.

Lack of up-to-date information leads to errors, rework, and claims, all of which affect profitability.

Conduct audits of how you manage data and costs around Equipment

Equipment

- ☐ How do you collect, store and access maintenance records?
- ☐ How do you communicate equipment maintenance needs and schedules?
- ☐ Operation details
    - ☐ Hours
    - ☐ Operators
    - ☐ Actual hours done
- ☐ Fuel costs
- ☐ Pre-start checklist

Without instant visibility into your equipment maintenance records and operational details like hours and fuel costs, your team is unaware of the true cost of your equipment.

Admin

- ☐ How do you reduce payroll errors that work against your budgets?
- ☐ Can staff easily resolve/reconcile discrepancies between hours scheduled and hours worked?
- ☐ How much time does administrative staff spend chasing down paperwork from the field each week?
    - ☐ Timesheets
    - ☐ Safety reports
    - ☐ Pre-start checklists
    - ☐ JHAs
    - ☐ Environmental documents
- ☐ How much time does administrative staff spend entering data from the field each week?
- ☐ How much do human errors in your data cost you yearly?

Collecting paper timesheets and forms from the field and inputting into your system is a major time cost on your admin staff.

If you're collecting paper forms and timesheets each week, your admin team is wasting their time on double entry and chasing paper.

Tools & Processes

Using tech solutions to make better use of your cost data will give you enhanced visibility into your labor and equipment usage.

Conduct audits of your tools

Manual tools
- ☐ Texts, calls and emails
- ☐ Spreadsheets
- ☐ Whiteboards

Scheduling & Assigning tools
- ☐ Operations software
- ☐ Scheduling software

Crew & Equipment Management tools
- ☐ Equipment maintenance software
- ☐ Daily diary
- ☐ Fleet management
- ☐ Compliance management software

Time Tracking & Field Data
- ☐ Timsheet app
- ☐ Digital forms app
- ☐ Site diary app

Reporting & Analytics
- ☐ Accounting/payroll software
- ☐ ERP system
- ☐ Excel/spreadsheet
- ☐ Microsoft Power BI
- ☐ Operations software

Manual tools don't transfer critical operations data easily or in real time, and they often create data silos throughout your busines. Manual processes are inefficient and often lead to delayed reactions that are costly to your business.

Teams should have the capability and accessibility to gather information quickly, like workers and equipment on site, safety incidents, changes to scope of work, amount of rework caused by internal errors, and progress updates.

Conduct audits of your overall tech stack

- ☐ Are you able to easily consolidate data from different systems?

- ☐ Are you able to easily analyze data collected from the field?

- ☐ Are you currently working in data silos?

- ☐ Do you receive your field data in real-time?

- ☐ Does your app have an offline mode?

- ☐ Do you have a single source of truth for billable activities conducted in the field?

A digital solution that incorporates all documentation on your workforce and equipment will improve schedule management, jobsite delays and save you hours on admin costs.

Construction Operations Software can help construction teams maximize profit margins and drive productivity.