

Job-Controls for Better Management

by Denise David Baer

Many of you have learned your business lessons the hard way. If your contract let you down, you swore it would never again happen. So you hired an attorney well versed in contract law to polish up your standard contract — and it's a humdinger, with no stone left unturned. But do you think that alone will cover your backside? I know it won't.

A good contract is important, but you also need to establish effective job controls. Job controls come in all flavors, from those between you and the client to the kind that monitor movement of materials from supplier to warehouse to job site and vice versa. When properly and consistently administered, job controls will protect your business as well as your client, guard your profit line, keep your projects running smoothly, and inform everyone "in the loop" who is capable of making decisions on their own. In short, job controls make you a more effective business manager.

You may already be using many basic types of job controls. Your contract controls the obligations required of both you and your client. Drawings and specs control what the final product should look like and how it is to be built. Bids from subcontractors and suppliers control the price and delivery time of materials and services. Change-order forms control both your responsibility to add or subtract from the scope of work as well as your client's obligation to compensate you for those changes. A job-costing system (preferably one on computer) controls both the production crew and future estimates by establishing benchmarks and providing a history of "estimated-versus-actual" figures.

Bigger Jobs, Bigger Problems

If you already have these job controls in place, you may think you have all the bases covered. What else is there?

For starters, ask yourself how effective the controls you have in place are. What other controls would enhance your system? Are you using the controls you already have, or did you put them in place six months ago and now they're just a distant memory?

More important, are you prepared for a job that departs from the kind of work you're used to doing? That next job may be a once-in-a-lifetime, million-dollar project, but it may have few if any drawings and specs to direct the work. Or you may have to deal with a client you're just a little wary of. It's the out-of-the-ordinary kind of job — and they do exist — that can teach you the value of well-designed job controls.

When we first started out, most of our projects were well defined, with complete architectural drawings and final specifications. Our contract stipulated who could request changes, and we filled out change orders on site. We knew precisely what materials to order and in what quantity, and we locked in subcontractor prices beforehand. We tracked every dollar expended through the job-cost system, and we knew up front that our payment terms would meet our cash flow needs.

However, as we began settling into the niche we had set our sights on (historic restoration and custom additions), the projects became much larger and more complicated. Oddly enough, architectural drawings and specifications were not always available or complete. In fact, some of our largest projects in recent

years have been done either with conceptual drawings and minimal specifications or with no documentation whatsoever; the project is literally designed and specified day to day or week by week.

Finding the Weak Spots

How do we control these beasts? With lots of documentation that traces every step of the project's evolution. It wasn't hard to decide which systems to implement. We did some simple detective work to reconstruct the scene of the crime — our job from hell (see *Strictly Business*, 3/97). Then we took what we learned about what went wrong and developed a system to keep it from going wrong again.


Our detective work uncovered this list of items:

- **Our contract had no teeth.** It didn't establish a procedure for dealing with late payments; it was unclear about who had decision-making authority; it was vague about warranty issues; and it had a dozen other holes big enough to drive a loaded pickup through.
- **Our paper trail was inconsistent.** We didn't always get written change orders or document decisions made at meetings.
- **Our job-cost tracking system was a mess.** We had just recently computerized, but we weren't using the technology to its full potential to track job costs. We weren't accounting properly for labor hours, and we weren't doing a very good job of coding material purchases to the proper jobs.
- **We weren't managing our subcontractors very well.** We weren't scheduling them as effectively as we could have, and we weren't keeping their certificates of insurance updated.
- **We were letting lots of details slip through the cracks.** For example, job-phone usage was high, but we didn't know why. And because we weren't tracking the costs of materials that

were moved from one job to another, some jobs were overcharged while others were undercharged.

This is just the tip of the iceberg, but you get the message. I strongly recommend that you do your own detective work with your company. Think back over a recent project that went sour. Maybe it was one in which the cost overruns just killed your profits; maybe you didn't have enough job-cost data to be able to calculate your profit; perhaps the clients were never satisfied or they took forever to pay their bills.

Next, put the "Do Not Disturb" sign on your office door and try to reconstruct the events that led to the problem. Write down every step that transpired from the day the client first contacted you to the day you received — or failed to receive — final payment. Try to remember as many details as you can. Get input from any employees who were involved in the project, not to lay blame but rather to find clues. Include information on how you processed and paid invoices, tracked labor hours, managed your subcontractors, handled change orders — anything that may have affected that project in even the most trivial way.

Once you've completed this exercise, you will be able to pinpoint the exact cause of the failure. As the characters in Walt Kelly's comic-strip, *Pogo*, once said, "We have met the enemy, and he is us." Our self-scrutiny wasn't pleasant, but it worked to uncover what ailed us. Once we were aware of our shortcomings, we wasted no time in correcting them. We've reaped the benefits ever since, and you will, too. Next month I'll introduce you to some of the items we've created for our toolbelt of job controls. 

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