

BY MELANIE HODGDON

Tracking the Owner's Time

When I talk about job costing with my contractor clients, it's easy for me to convince them that, to know what their labor costs are, they need to track production time on the job. After all, if you work under a T&M contract, you need to have those hours tallied to be able to invoice the time. And if you work under a fixed-price contract, you need to be able to match actual hours against the hours you estimated when you set the price for the job. Either way, if your production workers aren't tracking their time, you could be underestimating labor and not know about it. In that case, you will perpetuate the error and wind up consistently underpricing work.

But while tracking production workers' time is a no-brainer for most company owners, many still don't track their own time. There are four main reasons for this:

1. They perform many functions. On a given day they could make a sales call, research a new product, reschedule a material delivery, estimate a job, stop by a jobsite to "show the flag" to the customer and crew, and maybe even pick up a hammer. Clearly, tracking time for that many activities is challenging.

2. Their time is split among many jobs. Production workers perform a variety of functions, but most spend all day on the same site. Not so for company owners, whose many functions may also apply to many different jobs. Keeping track of all of the functions and all of the corresponding jobs is daunting.

3. They're the owner. Rank hath its privileges. Company owners have the authority to exempt themselves from tracking their time. A corporate officer's

salary check doesn't depend on hours reported. Likewise, sole proprietors, partners, and owners of LLCs take a draw instead of a paycheck, so reporting hours isn't a requirement of compensation.

4. They don't want to know. They know they're working a lot, but they really don't want to know how much, how hard, and how long. It's painful enough to admit that they're working too hard; it's more painful to admit that they're regularly working 60-plus hours per week.

Yet there are benefits to tracking the owner's time, especially if the company is growing from a one-to-three-person operation to a business with sufficient volume to justify a more complex infrastructure.

BREAKING DOWN THE 60-HOUR WEEK

Consider this example. Let's say that Mike is a contractor with a volume of around \$750,000, and he has three full-time guys in the field. Mike still spends about 30% of his time on the jobsite, but he also performs as the salesperson, estimator, production manager, and CFO. He may be directly involved in the bookkeeping as well, if he can't foist this off onto his spouse, siblings, or children.

Each week, Mike works like crazy, and stuff gets done. As his business grows, he has to do more and more. At some point, the growth of the business will be limited by his ability to continue to perform all the roles. It's just a matter of time before he will want to bring somebody else onboard to reduce his workload. The big question is, Which part of his workload? On-site production? Sales? Project management? Estimating?

This is the kind of decision for which a history of how Mike is actually spending his time can be very helpful. The time-tracking itself doesn't have to be complicated; Mike can estimate hours at the end of each day. He doesn't have to walk around with a stopwatch, clicking every time he answers the phone or checks his email or sets a nail. (See "Time-Tracking Apps," page 28).

How is this helpful? If Mike discovers that he spent just 700 hours in production annually (1) and a full-time employee can be counted on for between 1,820 and 1,900 hours (see the blog "Do the Math—Are You Charging Enough for Labor?" at jlconline.com), then he really doesn't need a full-time production worker—at least, not yet. But this data could help Mike with some projections.

Mike Does Everything

Task	Hours	% of Total
Production	700	22.4%
Estimating	750	24.0%
Sales & marketing	620	19.9%
Project management	800	25.6%
Office/bookkeeping	250	8.0%
Total hours/year	3,120	100.0%
Average hours/week	60	

1. By tracking how he is spending his time, Mike discovers how the long hours he's been putting in are distributed among various critical functions.

How much more work might a full-time production worker produce? How might that justify increasing the volume of work Mike could sell and still produce on time?

But wait. That assumes the new worker would be producing at the same rate as Mike. If Mike is a topnotch carpenter performing with the motivation that comes with owning a company, it may well be that he's the most productive field worker out there. What happens if he hires a newbie? Training will dilute the efficiency of Mike and the other workers, but the inexperienced worker will be cheap. How does that fit into the formula? Can he find a part-time worker? Would employee leasing be an option?

What about the other things that Mike has been doing? He's spending more than 25% of his time managing projects. One question to ask is whether or not Mike is micromanaging or failing to plan? If he's spending lots of time running around picking up materials or re-explaining how to do something, then perhaps there's no process in place for handing off projects for others to complete. Or maybe Mike is finding it hard to delegate a certain level of decision-making to his workers, either because he can't trust them to make the same decision he would, or because he simply can't let go of control.

DATA GIVES YOU OPTIONS

By tracking how he spends his time, Mike will provide himself with hard figures

Two Part-Time Hires

Task	Hours	% of Total
Production	0	0.0%
Estimating	750	24.0%
Sales & marketing	620	19.9%
Project management	800	25.6%
Office/bookkeeping	0	0.0%
Total hours/year	2,170	69.6%
Average hours/week	42	

2. By hiring a part-time carpenter to replace him in the field, and bringing in a bookkeeper one day a week, Mike can bring his workload closer to a more normal 40-hour week.

that can move hiring decisions from gut or impulse to a well-considered action following a strategic plan. It becomes pretty darned easy to predict how Mike's workload would be reduced if he, say, gave up all production work and found a part-time bookkeeper (2).

Or maybe it makes more sense to eliminate the biggest wedge in his pie: project management. What would happen if Mike moved to a lead carpenter system in which

Delegate Project Management

Task	Hours	% of Total
Production	700	22.4%
Estimating	750	24.0%
Sales & marketing	620	19.9%
Project management	0	0.0%
Office/bookkeeping	250	8.0%
Total hours/year	2,320	74.4%
Average hours/week	45	

3. A second option that reduces the length of Mike's workweek is to train his employees in the lead carpenter system and delegate project management responsibilities to them.

project management is handled by a carpenter who also produces on site? (3)

TRACK BY FUNCTION

I generally recommend that owners track their time by categories that match up with standard job descriptions (estimator, salesperson, and so on). This encourages them to think ahead and to envision the eventual org chart for their company, and to view how they spend their time not as a series of individual tasks, but in terms of the role they happen to be playing at any given time.

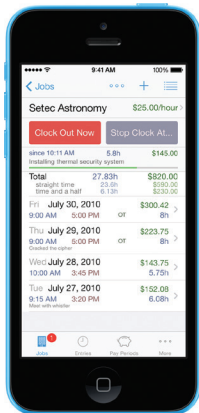
There's nothing more frustrating than being ready to perform a task and realizing that you're missing a critical piece of material. It's easy to see that you can't finish framing an exterior wall if somebody doesn't order enough studs. But it's just as important, when you're contemplating the next hire, to have a clear understanding of what the company needs and how it will affect you personally, as the owner.

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TIME-TRACKING APP

To get a feel for how time-tracking might work with my phone, I installed HoursTracker, one of the best-rated free apps for IOS and Android. The app takes user-created tags for things such as projects or tasks to organize reports by day, week, or month. You can run several timers simultaneously—essential for those who switch tasks and jobs several times each day—but you don't have to set up projects ahead of time: Just start the clock and fill in the details later. I didn't try the GPS feature, which automatically starts a timer when you arrive at a specified location and stops it when you leave. I can see how that would come in handy for tracking employee time as well as your own. Cloud backup and restore are included; in-app upgrade purchases include automatic backup and the ability to move data between several mobile devices.

By the way, it took me exactly 47 minutes to research and write this. Where do I send the bill? —Sal Alfano is editor-in-chief of JLC.





/LEGAL/

That's About the Size of It

BY LEONARD W. KLINGEN

On Aug. 27, 2014, Marin County Superior Court Judge Paul M. Haakenson found home-improvement-giant Lowe's Home Centers guilty of false advertising. While such rulings are all too common (think Airborne herbal supplements or Coca-Cola's POM Wonderful), what sets the Lowe's story apart is that early reports claimed that the court found that calling a 2x4 by its common name was misleading because the product wasn't really 2 inches by 4 inches.

But that's not quite right. The suit was brought by the district attorneys of five Los Angeles-area counties at the behest of officials from local Weights and Measures departments who were concerned that consumers had been misled by the labeling. It turns out that the folks at Weights and Measures weren't completely out of line. The real issue here wasn't that the 2x4's actual dimension was 1½ x 3½ inches, but that Lowe's suppliers sold 2x4s with actual dimensions that measured below that standard. (The complaint also addressed the labeling of products as "wood" that were actually composites that contained other ingredients.)

The ruling resulted in an injunction against Lowe's that included a \$1.4 million civil penalty for violation of California BPC § 12024, which states, in the pertinent part, that "[e]very person, who by himself or herself, or through or for another, sells any commodity in less quantity than he or she represents it to be is guilty of a misdemeanor."

Notwithstanding the statute, it's difficult to see how anyone could have been damaged by a nominal 2x4 measuring less than 1½ x 3½ inches—and we don't yet know how much less (see Letters, on page 15). And while there may be some relevance to Marin County District Attorney Ed Berberian's statement that such "misinformation could adversely affect building projects that more often than not rely on precise measurements," virtually all construction

professionals know that wood dimensions vary depending on moisture content.

The rest of the injunction sets forth rules for the advertising of "Structural Dimensional Building Products" (SDBP), which it defines as building products sold with reference to length, width or depth, and thickness. It requires that common or nominal dimensions be followed by actual dimensions, and that the symbols for inch and foot be replaced by letter abbreviations. Thus, what used to be a 2" x 4" x 8' *Kiln-Dried White-wood Stud* is now listed on Lowe's website as *Kiln-Dried Whitewood Stud (Common: 2-in x 4-in x 96-in; Actual: 1-1/2-in x 3-1/2-in x 96-in)*.

So where does this leave those of us in the construction industry? For most, the ruling will have little effect. In an interview with REMODELING (remodelingmag.com), Marin County Deputy District Attorney Andy Perez noted that "[i]f it's a softwood product like 2x4 lumber and it actually meets the NIST standards, then they don't need to include the actual dimensions." (NIST—the National Institute of Standards and Technology—provides guidance concerning standards for building products as well as a wide range of technologies and commodities in other industries.)

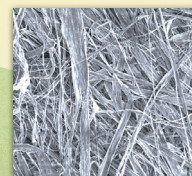
That said, when advertising or specifying SDBPs, one might keep in mind the approach McDonald's took with regard to its Quarter Pounder. Whenever this sandwich is advertised, the restaurant chain includes the disclaimer "weight before cooking." In a like manner, design and construction professionals should consider including a general note on their documents to the effect that all SDBP unit dimensions are nominal in accordance with NIST standards.

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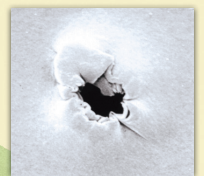
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/HR/

Telling Co-Workers About a Termination

BY DOUGLAS DELP

WHAT HAPPENED

Good Guys Construction Co. believes in open communication with its employees. Recently an employee was terminated when

he showed up for work and the supervisor smelled alcohol on his breath. When rumors started circulating about layoffs and lack of work, Good Guys held a staff meeting and

explained that the employee was terminated for arriving at work under the influence.

WHY IT'S WRONG

It is difficult to know how much to tell co-workers when an employee is terminated, especially if the termination is unexpected. But employers need to be careful that what they say doesn't give the terminated employee grounds for a defamation lawsuit. Defamation can occur when an employer gives untrue information about an employee to a third party—in this case to co-workers. While truth is a protection against a defamation charge, this example is a prime case for a lawsuit because the employer had no specific proof that the employee had been drinking or was under the influence of alcohol except for the fact that a supervisor smelled alcohol on the employee's breath. Since the employer didn't confirm its suspicion with the positive results of an immediate drug and alcohol test, the employee could relatively easily deny that he or she had been drinking.

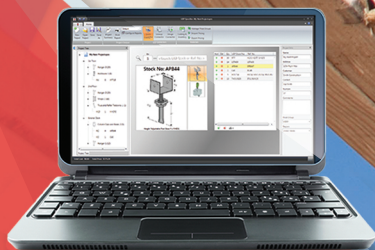
WHAT YOU SHOULD DO

The law protects the communication of untrue information when it is shared in good faith with another party that has a corresponding interest—this is called “qualified privilege.” In this case, the supervisor telling management about the employee would be protected, but the employer telling co-workers would not be protected. When an employer wants to communicate an employee's termination to co-workers, it is always best to reaffirm that the reasons for any employee's separation are always kept confidential, but that the recent separation has no implied impact on the direction of or other job positions at the company.

Douglas Delp is founder of The Delp Group (delpgroup.com), which provides human resources, benefits, insurance, and payroll services to small businesses.

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