

JOB COSTING BASICS FOR THE CONTRACTORS OF TODAY

1. Overview
 - a. Labor is your single largest expense. Do you know how much labor on site really costs? Do you *really* know? One of the smartest things the forefathers in our industry did was produce a scalable and replicable method of assigning costs to a project. This class will teach you how to adapt that method for your individual business needs. More importantly, however, we'll talk about how you can easily get more relevant information from the field to help you get accurate costing information.
2. Introduction and Welcome
 - a. Presenters
 - i. Gordon Titus is a native of Northern Utah and Customer Success Manager at busybusy, a mobile time tracking app for construction based in St George, Utah. Gordon believes in identifying and thoroughly understanding challenges through the use of data. He believes that most often the best solutions are the simplest. He has worked with thousands of construction companies worldwide guiding them through the process of onboarding and implementing new technology. Having spent 15 years in the construction industry and 8 years in construction tech, Gordon understands the specific challenges that construction companies face when implementing new processes and technology.
 - ii. Dustin Chapman- Third generation contractor. Grandpa was a superintendent that built churches, dad was a superintendent and Project Manager, I worked in the industry for a dozen years (eight with my father), starting out on a concrete crew ironically enough, before joining the construction tech world. When my father hired me at the GC I worked at he hired me at \$2 an hour less than everybody else in the company. My distinction between the three of us is that I'm the only one that is yet to literally lose a finger while working in the industry.
 - b. Why are we here?
 - i. To help you to better track jobsite activities to improve business and increase profitability
 - c. Today's Presentation: What to Expect
 - i. Technology & Data in Today's Market
 1. We're going to talk about how technology is affecting day to day decisions on projects and influencing growth in our industry.
 - ii. The Current State of Construction Technology Adoption
 - iii. Estimate, Execute, Evaluate: The Construction Triangle
 - iv. The Value & Strategy of Cost Codes
 1. We're going to specifically discuss how combining old school cost coding with the latest in technology can give you a real time and accurate look into the profitability of your projects

- v. Creating a Culture of Innovation
 - vi. Question & Answer
3. Construction Triangle- Estimate, Execute, Evaluate
- a. Completes to 3 points of Construction Triangle
 - i. What is the largest variable on a jobsite?
 - ii. We know that the single largest VARIABLE is LABOR
 - iii. In construction we're generally really good at estimating and executing, but we tend to be poor in the evaluation phase.
 - iv. We often overlook the Evaluate portion for good reason. We're too busy! We need to get going on the next project.
 - v. How many times do we get to the end of the season and finally have time look around and see that, "Oh dang, we didn't really make that much money this year." It's often like we have the tiger by the tail.
 - vi. So many times we get caught up in Estimate/Execute and forget Evaluate OR the evaluation comes too late to make necessary adjustments
 - vii. While we execute we need to collect that smart jobsite data
 - viii. We also need to look at the Evaluate phase as not something we do strictly at the end of a project, or even end of the month, but as something we do on a daily basis.
4. Real-time Data- We have discovered that the information we need to make us more profitable already exists, we just have to find a way to harness the data and bring it into the office as quickly as possible.
- a. Aaron Rodgers Football GIF
 - i. Here's a fantastic GIF that demonstrates the impact of real time date
 - 1. For those that aren't big football fans, Aaron Rogers of the Green Bay Packers is seeing his most recent series in near real-time. He's literally walking off the field, picking up a tablet and watching the previous plays and as you can see here quite clearly he doesn't like what he sees
 - 2. The packers are learning as they they go and making adjustments in real-time.
 - b. Cost Codes With Technology
 - i. So we've talked about data. Now let's get a little bit more granular about gathering the actual data on our job sites.
 - ii. The construction industry has already provided us with the template for gathering and organizing our data. We have just collected it ineffectively for 60 plus years.
5. I am sure you are all aware of the standard CSI cost codes, we want to show you how we can help you track, in real time, the use of cost codes on each project.
- a. Mike's Day
 - i. In the past our foreman Mike's day has looked like this. He does several activities, but when it's time to record that data at the end of the day and give us the information that can make a difference, what we get is

- ii. How to measure
 - iii. Two points-
 1. We need to gather the information quickly, easily, effectively, and accurately. Help your guys understand why it's important.
 2. We need to teach our field employees and our management teams to not be afraid of the data- of the real numbers.
 - iv. We need to gather as much data as we can quickly and effectively. But not only that, we need to not be afraid of what those numbers are.
 - v. No offense to Mike, but we need to let the numbers tell the story for better or worse.
 - vi. Let me put it another way- cost codes don't care about the budget. They care about accuracy.
 1. As a young project manager, I would get handed a new project with budgets that were organized in cost codes (back to estimate). My job was then to take these budgets and get the job done. They system of gathering data was already in place, it was up to me get good data to fill out these budgets.
 2. But what would happen? I rarely got good data from the field and then when it was time to sit through budget review meetings all the boss cared about was the budgets that showed an overage.
 3. So I'd sit through a meeting and get hammered on my foundation labor being over budget, but the boss would say nothing about the footing labor being well under budget. Next meeting magically the foundation labor was no longer over budget and the footing labor was now right at budget. Do you get my drift?
 4. It doesn't help my estimator when he looks at the budgets and thinks he did a good job in estimating the project when in reality it was me fudging the numbers to make my project look good.
 - vii. Cost Codes don't care about the budget
 1. Quit manipulating the numbers
 2. Make the information as real-time as possible.
 - a. At minimum daily
 - b. Weekly is too long
 - b. We are going to take you back to the construction triangle. You are all starting the project with an estimate then we are going to move onto the execute part. Finally we are going to finish up with the evaluate process.
6. You can utilize the same cost code strategy with the **CSI Standard**. You can use a **hybrid** system or you can create your own **custom** set of cost codes
- a. Who needs to use cost codes?
 - i. ESTIMATORS - precise bidding and more complete schedule of Values, better scheduling.

- ii. PROJECT MANAGERS/SUPERINTENDENTS - Daily project costing, manpower projections and more accurate change orders and more precise scheduling.
 - iii. ACCOUNTING & PAYROLL - minimize time entry errors, faster reporting to PM's, project cash flows and eliminates the "timecard chase" on Monday mornings.
 - iv. OWNERS/PARTNERS - Real Time project status, manage cash flow, anticipate equipment purchase needs and project future growth.
- b. In the construction industry, we often find ourselves so busy that we go from estimate to execute and back to estimate, we often don't have time to evaluate so that step gets left out. What we have discovered is that we can estimate and execute and bring evaluation into a daily process so it becomes part of the workflow and part of our daily operations.

7. Conclusions

- a. Diffusion of innovation, where is your company in this process?
 - i. Don't be the laggards
- b. ADAPT OR DIE
 - i. Clip from Moneyball- <https://www.youtube.com/watch?v=DtumWOsgFXc>
- c. Be weary of data paralysis
 - i. (What can your company handle right now?)
 - 1. Track to Project
 - 2. Track to DivisionParent Code
 - 3. Track to Cost Code
- b. Class questions:
 - i. What type of work is most profitable for me?
 - ii. What type of work should I stay away from
 - iii. Am I making a profit on this project?
 - iv. What part of the project did I lose money on?
 - v. Is my equipment being fully utilized