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NO. 4: FINE-TUNE PROJECT MANAGEMENT REPORTS

KEEPING UP WITH JOB DETAILS BECOMING PAINFUL?
IT’S ALL IN YOUR HEAD.

Editor’s Note: *Following is part four of our eight part series called “Better Next Year,” by Fred Ode, CEO, chairman and founder of Foundation Software.*

It’s a common problem shared among busy construction owners—working hard to manage all the details of their jobs leaves little time to tell which projects are working.

Duke, for example, is your typical (yet fictional) contractor. When he first started his excavation company, Duke kept the details of every job in his head. He knew exactly how much dirt he could move and how many men it would take. Gradually, however, Duke’s jobs began to increase. And now he finds it increasingly difficult to handle all the details that he once managed. The problem is . . . it’s all

in his head.

Just as it’s important to understand and use management-level summary reports (see “Better Next Year No. 3” in last month’s issue and on the web at www.constructionbusinessowner.com), construction owners also need to be aware of project-level details that contribute to their company’s overall success or failure. Where management-level reports generally provide one-line-per-job summaries for a bird’s eye view of operations, project-level management reports provide owners and managers with greater decision-making details.

Specifically, these reports provide

Better Next Year— An Eight Part Series

1. Avoid Spreadsheet Dependency
2. Hire Expert Construction Advisers
3. Understand and Use Management-Level Reports
- 4. Fine-Tune Project Management Reports**
5. Improve Communication between Office and Field
6. Minimize Resistance to Change
7. Owner, Open Your Eyes
8. Commit to Ongoing Education

a narrower focus to help owners and managers:

- 1) Identify where the job stands today
- 2) Predict where the job is headed
- 3) Create a database of history

And though they vary greatly from business to business, project-level management reports generally help all contractors with job evaluation and future bidding. In addition, these reports help project managers stay on track and stay accountable throughout the life of a project.

So, where exactly do these project-level management reports come from? Ideally, contractors start with good job costing processes that break down their costs by tasks, activities, phases or whatever makes the most sense for their business. Next, they use accurate methods for collecting job data. And finally, they rely on strong job cost accounting systems capable of managing the data and automating these essential reports.

Which Reports Should Contractors Use?

The type of work a contractor does and the length of their projects both affect the type of project-level management reporting needed. Excavating contractors, for example, will probably want to run significantly different project-level reports than electrical or mechanical contractors. In addition, because of unique business practices and owner preferences, no two contractors—regardless of trade—are likely to run the same project-level reports.

Unfortunately, it is often at the project level that construction firms realize their general business accounting system cannot produce the kind of reporting needed to analyze jobs. Why? Because these systems were not designed to work the way contractors work. They have no way of transforming job data into essential reports that answer the how, why, where and when details of every job.

Without the ability to see job details, many contractors dump their job data into spreadsheets and attempt to create their own project-level management reports. Soon, however, way more time is spent managing and updating their disconnected spreadsheets than analyzing the data, which is often outdated.

Construction-Specific Software Provides Much-Needed Details

Flexible reporting, therefore, is something that contractors desperately need from their job cost accounting system. Fortunately, there are good construction-specific

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Better Next Year

applications available that offer not only standard reports but also customizable report writers capable of creating an infinite combination of reports. Most importantly, a good job cost system's reporting features will be capable of showing cost breakdowns on many levels—from total job costs to labor costs per task, to costs per cost category, to costs per units of measure, labor productivity and so on.

Using a sophisticated system with flexible reporting capabilities means contractors get to define exactly which type (or combination) of project-level management reports to produce on a regular basis. A mechanical contractor, for example, may elect to produce a project-level production report that tracks costs per unit worked (i.e., \$5.34 per linear foot). Meanwhile, a heavy highway contractor may decide to create a report which tracks labor

productivity by the ton or cubic yard per man hour worked (i.e., 10.4 cubic yards per man hour).

A contractor's job costing system should not only have the capability of handling budgeted, committed and actual costs by job, phase, cost code and cost type, but it should also be capable of maintaining and reporting both the original budget and the revised budget (original budget plus change orders). For accurate job costing and reporting at the project level, a contractor's software should—at a minimum—allow for multiple levels of costs (jobs, tasks, phases and classifications, such as labor, materials and equipment).

Attention to detail, they say, is the hallmark of any great craftsman (or scientist, cook or software developer for that matter). Without the answers to the how, why, where and when details of every job, how can

a contractor even hope to succeed in today's competitive construction market? And without access to accurate and timely project-level management reports, how can a contractor possibly become *better next year*?

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