

The Importance of Project Tracking - Part 1

One of the major aims of having your own business is to grow the business and make more profit. Yet, too often, trade contractors are content to work on a trial and error basis to achieve their goals. They can succeed, in spite of their methods and systems, however in today's competitive market we need to stack the odds in our favour and give the business every opportunity we can. Tradespeople invest many years of their lives into valuable study and become skilled at their trade. Conversely little effort is made to become a business person. Many people think that business is easy well, it isn't.

It is important for the owner / manager of a business to establish how the business is to be structured for the purposes of managing projects. Don't confuse this with the corporate and financial structure for taxation reporting, such as a company, trust or sole trader.

Project tracking is a vital part of the process, it starts after the tender has been won and involves the tracking of what actually happens on a project so it can be compared with the tender. Clerical staff see this as added work, when in fact it is not, it is only a matter of arranging the bookwork to provide the many reports that can be obtained to analyse the project.

Structured reports are important and will provide information on materials, labour, progress claims and profitability for a given project. Such information is invaluable for the manager who may be busy growing the company. It is also important to the estimator as feedback.

To have a combined estimator and project supervisor is one option preferred by some companies. The advantage is that the person brings experience in both specialised areas. Not only do they have the onsite experience, but they bring such experience to benefit future estimates.

The idea is for the estimator to continue to estimate until they win a project. After which, it is their responsibility to construct the project.

A benefit for this method is that the person estimating the project appreciates every aspect of it and is more likely to identify changes which result in variations. Hopefully, this person will be more efficient at ordering materials and organising the labour.

Of course, a project supervisor would be capable of managing a number of projects. The detailed and daily activities are the responsibility of the foreman. It is more likely the project supervisor's workload will be measured in a dollar value, which is spread over a number of projects.

Alternatively, a specialist estimator has the advantage of estimating a large number of projects each year, and gains an incredible amount of experience over a short period of time.

An estimator, whose sole responsibility is to estimate with the aim of winning work, is more likely to succeed. If the aim is to win 33%, and the company turnover is targeted at \$1m, the estimator knows they need to estimate \$3m per annum. The advantage is they gain the

project experience of building 100% of the projects in their head, not just the projects they win. While a worker on the construction site may only experience the one project in a twelve month period, and therefore be limited in the knowledge they gain to benefit the company.

As the company grows a 'Purchasing Officer' should be considered to manage and track the materials and sub-contractors. Their remuneration should be justified in savings by purchasing at lower prices than those allowed in the tender.

Administration staff need to be included in the overall plan. To identify the dollar value a company can afford to allocate to administration, opposed to guessing the staff numbers or simply saying, 'well ... I think we need one or two people multi-tasking. It is important to know the dollar value of the company overheads. While every company needs to research the breakup of their overheads, it will be found that administrative staff will be in the vicinity of 44% of the overhead costs.

Overheads are expressed as a percentage of the company turnover. That is, the accounts receivable generated in a particular financial year. It is critical that the estimator knows this percentage as it forms part of the mark-up in their 'Final Summary' calculation.

A well structured business will have one or more in the following areas. This, of course still means that in the early growth of a business, staff must multi-task. However without trained staff in each area, the business will be limited in its growth. The vicious circle of not having funding to employ staff is due to insufficient turnover.

An increase in turnover will provide more money for overheads. But, even then the management must be prepared to invest in good and well trained staff to manage each department.

Finance Controller
Administration Manager
Estimator
Project Supervisors
Purchasing Officer

What needs to be achieved!

1. Consistent Reporting for Project Profitability
2. Accurate Progress Claims
3. Track Progress Certificates
4. Prepare and track Contract Variations
5. Track Retention Monies.
6. Track and compare labour times and costs
7. Track and compare material costs
8. Prepare the cash flow requirements
9. Have the right business structure
10. Set out the estimate correctly.

Each of the above are important, there is no one function that is above the other. The emphasis should be on the final result. Get it wrong and the entire project could go off the rails. Get it right and it will make a huge difference.

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