
Chapter 1

Administration

Some people are like popcorn. You don't learn what they're really made of until you put heat under them.

All businesses have to be administered. This means that you carefully look after all business activity areas that require attention. In some cases there will be others doing the activities. In other cases, as in the one person contracting company, the owner does it all.

The administrator makes sure all parts of the business operation are taken care of. For contractors, this administration or "contractor work" causes the most problems. Contractors prefer doing their trade work more than the contractor work. Your largest advantage as a construction contractor is deciding to do the contractor work correctly, while avoiding the common ideas that cause failure for construction contractors.

Avoiding the Most Common Failure Ideas

1. I do not need money to start a business.

The largest cause of business failure is under-capitalization. The money runs out before the business begins to produce enough income to sustain itself. This is the most common problem for contractors. Just because there is money coming in does not mean it is enough for the business.

2. I will earn money immediately because I will have wages from my trade work.

You need at least six month's to a year's income in savings. The costs of business will tend to use up money that you will earn doing projects. You will spend at least the first six months working on starting the business. You may have to hire others to do your trade work while you get the business going. Give the business every means to survive by having enough capital and time to stabilize.

3. I work for myself.

No you don't. You work for your customers. To succeed, you have to

do what the customer wants. When you worked for wages you did what was called for that day. Now you do what is called for right now. You have to set your schedule to accomplish projects as contracted, and on time.

4. I will get rich from my business.

Maybe so. Maybe not. Few business owners get rich. About 20 percent of all new businesses fail in the first year. At the end of ten years, only about one in ten businesses are still going. In many cases the owner is not rich. You may live a comfortable life as a contractor and you may do very well. The harder and smarter you work at your business, the greater your chance for success.

5. This is such a good deal I can't lose.

Yes you can. Many people lose everything in a business failure. The closer you follow the rules of business and do all that is required of a successful business owner, the better your chances of avoiding failure. The biggest danger of this idea is that you will not do the duties of business because "business will just come to me." Business comes to no one. Business is pursued and carefully nurtured.

6. My trade skill will make me money.

There are more trades people who have failed in contracting than have succeeded. This idea is the main reason why. You can make more money doing your trade as a business. However, you have to do the business duties as well. If you do not do the business duties and only do your trade work, your business is destined to fail.

Managing Your Business

The big difference between doing your trade as an employee and as a contractor is managing a business. No contracting business can prosper if the owner believes that the trade work is all that needs to be done.

Managing is dealing with people. Trade work is not a "people thing" for most trades people. The trade work is done to a skill level, and dealing with people is a minor part of the work, if they even deal with people at all.

Getting Along With People

As an employee, you were responsible for your work and for being

*"Whenever I hear about a bad small business, it's always family owned."
Scott Adams,
creator of "Dilbert"*

Most business books deal almost entirely with large businesses. Yet the large majority of contracting businesses are owned and operated by family members.

reasonably attentive to the needs of those around you. Someone else was responsible for the satisfaction of the owner. As a contractor, you will have to work on the relationships of all those who are involved in the project for the duration of the project. In some cases you will have to do this for a number of projects, all running at the same time.

Health and Energy

Most trade work requires good physical health and strength to do the job well. In some cases a person will suffer an illness or injury that will stop them from doing the trade work they once practiced. As a contractor you will have to develop new health and energy capacities for office, people, and paper work. Many trades people who moved from the field to the office are surprised at the fatigue encountered from mental work. You have to be able to do this work well to succeed.

Desire to Succeed

A strong desire to succeed is not the same as positive thinking. Positive thinking is mostly wanting or willing something to change. You cannot will a larger checkbook balance. You can, however, learn and practice the skills that lead to the awareness of how to keep a large checkbook balance. You have to be willing to do what it takes to become a good construction contractor.

Optimistic Attitude

An optimistic attitude is the product of a correct perception. People who look at a half-glass of water either see it as half-full or half-empty. There is no trick here, just a personal perception of how you look at things. A contractor has to develop a perception that is positive. When employees, owners or inspectors see a project with a problem, you have to immediately seek out a positive solution. You have to ask, "What is the correction to this problem" not, "How can I get out of this mess."

Sense of Organization

All productive trades people are well organized in performing their trade work. Organization of work materials and time schedules is critical to the flow of work. In contracting there are many more aspects to organization. Each part of a project has to be organized to

come together correctly; trades people, suppliers and employees have what they need when they need it. This takes a lot of organizational skills, which come from detailed attention to the many aspects of a project.

Interest in Business

Without a sincere interest in business, there is little likelihood you will succeed in construction contracting. It is common to hear, "I know my trade well enough that people will hire me for that. I don't have to know all that business stuff. I will get all the income I need working at my trade." At times this strategy will work, but mostly when there is demand for the trade. When competition for trade work increases, this contractor will likely be working for wages again. It takes business skills to keep a contracting company going, especially in competitive times. Good business skills will always work better than trade skills to keep you working as a contractor.

How can you keep your best employees in a time of labor shortage? Get them to work with you on their long-term commitment to your company; work with them so they will stay with you.

Confidence

Confidence comes from practice. Your trade skills allow you to feel confident that you can take on any job that is within your trade area. Just because you have never seen the exact details in this project before does not mean that you cannot study them and figure out how to do them. In addition to your own skills you have the plans, supplier, and manufacturer to assist you in getting the process correct. Business is no different. With practice you gain skill that increases your confidence in knowing how to handle a business problem. You will know who can help and where assistance lies.

Perseverance

Do not look at perseverance in the extreme. Rather imagine your business situation as you would a trade work situation. When you have a trade problem, you stick with it until you reach a workable solution. You work it out because that is part of the job you are doing. You are paid to solve the problems pertaining to your trade work. Again, business problems are no different. You have to keep at the solutions to your business problems. Business problems will no more go away than your trade work problems. You have to deal with them. The best time to deal with business problems is when they are in front of you, which means "now."

Self-Reliance

All trades people rely on themselves to do their work. They can do the work because they know what to expect. Once a trades person sees a plan or project description, they are on their way and work from their skill. Business demands much more from a person because there are so many more possibilities. Gaining self-reliance as a business person requires more practice and study. Fortunately you can study and practice at business skills, just as with trade skills. The more you find out, the more self-reliant you tend to become.

Patience

Everyone who learns any difficult skill finds out about patience. Because learning requires practice you can go only so fast. People who teach know to be careful about adding new material to be learned until after the present material is being done well. When you learned your trade you were probably taught by someone who was able to show you tasks only as you were ready for them. In business it is more difficult because the many tasks of business have to be learned when you actually are in business. Therefore, you have to study more up front to know where to look for help as you begin the practice of business. Going slowly with business and doing only as much as you can handle is the sign of patience.

Integrity

In contracting, integrity means doing what you say you will do. You work under contract in all cases. You sign a contract stating your promises. When you do not follow through, as many contractors have a reputation for doing, you lose integrity. It starts with your promise to return a phone call or to produce an estimate by a certain time. If you do not follow through on the small items like a phone call, you will find it much more difficult to get a contract signed. Integrity is your reputation of performance. Do not promise what you cannot perform.

"We're all manufacturers in a way; making good, making trouble, or making excuses."
H. V. Odolt

Interest in Community Service

Construction contracting deals with the building and maintenance of the structures in your community. The better you do your work, the more substantial your community. You have the opportunity to build or improve the houses, commercial buildings and publicly owned structures in your community. You can show your customers the

evidence of your commitment to your community. You have to deal with the people who own the structures as well as do the construction work. Part of the business of contracting is improving relations with the occupants of the structures and helping them solve their construction problems.

Managing Yourself

All of the above deal with managing yourself. You go from doing the trade work, as required and directed by the work, to determining what the business needs and doing it, no matter what. As a business person, this is what you are paid for. Those contractors who can go beyond their trade work and learn to manage themselves will find rewards. When you perform the duties of a business person to a higher standard you are rewarded with repeat business and referrals to other customers. Your business success depends on these self-management skills, whether you are just starting to form your business or seeking to improve your operation.

Management is always about people first and the project second. The people build the project.

What time of day do you do your best work? Save that time for your most important projects. Do not return phone calls, e-mail, or do other tasks that require your most effective time.

Forming Your Contracting Business

When you start your contracting business, you gain a huge advantage if you are ready to take on the management duties it requires. Most contractors do not give enough attention to management skills when starting out, so they are always trying to catch up on management problems.

There are two main ways to get prepared for starting your new business:

- Study the rules and processes of construction business management, or contractor work, until you are thoroughly familiar with them.
- Begin your business slowly and grow only as fast as you gain business skills and improve them to the level you need to operate successfully.

Improving Your Contracting Business

For those of you who started your contracting business without the strong business skills, there is still hope. If you are still operating and want to improve your business, the advice above is still valid. To improve your business management skills:

- Study the rules and processes of management skills until you are completely familiar with those skills you need to improve on.
- Begin to use the new management skills slowly. Grow your business operation only at a pace where you can maintain control of the new operations at a high performance level

Defining Your Contracting Business

The *Advantage Contractor Business Success Series* course, *Business Planning for Construction Contractors* goes into detail about how to set up your Business Plan. Your management process has to follow this plan and make it happen with day-to-day business activities.

The goal of your business focuses on three areas defined in your Business Plan:

- Your product
- Your service
- Your profit

The main goal of your management is to produce the product, the service, and a profit.

Your Product

Your business should have the identity of producing a specific product that the customer easily can identify. Part of your management is to maintain the operations of the business so that this identity is created and maintained. You do this by seeking out the customer who wants the type of product your company produces. You do not just take any project just to stay busy.

Your Service

Part of your business identity is the special service you can do that is unique to your operation. People hire you because you can perform your work in a way that others cannot. This is usually an "extra" that makes your proposal worth more than other contractor's

Business is something which, if you don't have any, you go out of.

proposals. Your management has to keep this service in place and perform it well so that it remains your advantage. If others begin offering your "extra," you have to find another so you can remain more desirable to the customer.

Your Profit

Many contractors do not correctly understand what a profit is. Profit is not what is left over if you are lucky and make money on your project. It is the calculated amount that each project has to generate so your business can maintain itself. Just as your vehicle has to be replaced, business items have to be replaced; that money comes from profit. Your management skills produce the profit based on the needs of the business plan.

Your example is far more important than your advice.

Business Structure

Your business uses people to get the management work done. There can be many positions to fill in your company, or just a few, depending on what type of work you do and your business volume. The business manager determines the areas of work to be done and how the company is organized to do the work.

You will find it helpful to sort the different tasks into positions, even if you do them all yourself. If you show a position for each management task, you will not overlook the work that has to be done to complete it.

Organization Chart

The company organization chart is a good tool to use in setting up your management tasks and positions. The minimum tasks you should have are those which make up the chapters of this course:

- Administration
- Finance
- Sales
- Marketing
- Production

At the end of this section are some samples of organization charts for various types and sizes of contracting companies.

Legal Issues

Contracting deals with contracts. This makes your business an easy target for disputes. When someone buys a ready-made product there is less concern with legal issues because the product exists and the customer can look it over and understand it better. With most contracting this is not the case. There is an agreement drafted on paper with written and drawn descriptions describing the project. In many cases the customer is not satisfied that the finished product matches the description.

When a customer buys a finished house, there is no contract involved with the customer. The contracts are with subcontractors and suppliers. In other cases where a specific appliance or device is installed, such as a furnace, water heater or window, there is less cause for concern with a dissatisfied customer. The greater the chance for misunderstanding with the contract description, the greater the possibility of contract disputes.

Contracts and Disputes

There are many common uses for written contracts in construction contracting. You will be forced to use them by others even if you do not believe they are useful yourself. Written contracts can be required by law and you can receive heavy penalties for not having a proper contract.

The *Advantage Contractor Business Success Series* course, *Contract Law for Construction Contractors* goes into detail describing the normal uses of contracts in construction. Your attorney will be helpful in suggesting uses and forms for contracts your company should use.

The normal uses for contracts in construction contracting include the following:

- Owners
- Subcontractors
- Suppliers
- Lenders
- Employees

If you want people to read what you write, master the one-page memo.

Owners

The most common contract that a business manager has to deal with is the contract between the owner and the contractor for the completion of a project. If you are a one person business, you do it all

and you manage the process yourself. It gets much more complicated if the contract is assembled by a staff of people.

The contract contains details about how the project is to be constructed and what materials will be involved in the construction. In most cases the sales person developed these details. These details usually become the plans and specifications, with amendments as changes are made. In all cases there is someone representing the company who negotiates the details of the project that will be used by an estimator to set a price.

Find out where to get news, information, and hot tips about your competition.

As manager, you have to know that the person representing the company in the information gathering process is doing a careful job and getting the details correct. The process of gathering information usually involves other employees of the company. The estimator may be asked to look at a few variations of how a project could be designed for differences in price. The office administrator may be asked to call suppliers and subcontractors for estimates on some of the details. All communication of the details has to be accurate so the prices can be dependable.

At some point the negotiations of the salesperson, the information gathered by the administrator, and the prices from the estimator have to come together into a contract that describes the project completely. The proposed contract is the only chance you have. It must be correct. If the owner signs a contract that has errors that cost you money, you are on the hook. Your signature on the contract means that it represents your promise of what you will do in exchange for the owners promise to pay for the work.

If you do government contracting or commercial work, you often find that the owner has a required contract form as part of the project documents. In this case, an architect, engineer or other professional has set up the project with details that you use to estimate. There is no negotiation with the owner. You look at all the project documents and submit a price for the work. The language in the contract document will always have an effect on how you price the project. In these cases, you should have an attorney look the contract over. In many cases your surety bond provider will also willingly review the contract with you, to look for problems.

For the protection of the company, everyone in the organization has to understand the importance of getting contract documents and language correct. As manager you are responsible for setting a process that produces accurate contracts. A project review system is normally used to check that the contract contains all the required documents and correct pricing. Because every contracting company is different, we can only suggest that you use a checklist which

reminds every staff person of what has to be done and reviewed. In the *Advantage Contractor Business Success Series* courses, *Contract Law for Construction Contractors* and *Construction Estimating*, you will find more detailed suggestions. For now we can suggest this checklist:

- Review the plans to make sure that all items are taken off onto an estimate sheet.
- Review the specifications to make sure all items noted are the correct model, size or color.
- Review all owner changes to the plans and specifications for inclusion on the estimate forms
- Check math on all forms.
- Review payment terms negotiated with the owner.
- Note all unusual aspects of the construction project required in this case and adjust pricing as necessary.
- Have all staff sign off that they have reviewed their part for accuracy.

The person making up the contract documents has the final say about whether the contract information is complete. This person has to be able to challenge every point in the contract for accuracy with the staff.

"You miss 100%
of the shots you
never take."
Wayne Gretsky,
Hockey star

Subcontractors

Subcontractors are generally trades people who contract with you to do various parts of a project. In many cases you will work with only a few subcontractors regularly. Builders who do homes with only a few different floor plans, or do commercial renovation of sites that are to have the same upgrade, often hire the same subcontractor to do many of these projects.

Because of problems with independent contractor status, employment issues and other contract problems, you are advised to always have a contract for each specific project. In many cases where the contractor hiring the subcontractor does not get a formal contract signed, they are risking liability for employment taxes, workers' compensation claims and other contract liabilities. The *Advantage Contractor Business Success Series* course, *Independent Contractor and Employee Issues for Construction Contractors* goes into the details of these problems and provides solutions.

As business manager you have to know that the company is not taking on liability for any aspect of another's business. Many contractors who work with subcontractors fail to use contracts to

safeguard their legal position in the relationship. When financial, quality or employment issues come up with subcontractors you have to have your contract in place to protect your company's interests. Remember, your contract always states the exact terms of the agreement you have with any owner or subcontractor. If you authorize work to a subcontractor on a "bill me" basis, there will be no written agreement between the parties. Any disputes about price, quality or employment issues end up on a verbal basis. Each side can only state their recollection of what was said. This is of little help in a serious dispute.

Any meaningful instruction should be in writing and on one page, if possible.

Your job as business manager requires that there be written contracts with all workers your company hires as subcontractors. This company policy ensures that you will not be cast into financial liability and other disputes with no legal defense. (See Exhibits 1, 2 and 3 at the end of this chapter.)

Suppliers

Suppliers are a source of great help and also some problems, depending on how they are dealt with. Under normal conditions you will deal with suppliers in one of three ways:

- Cash sales
- Open accounts
- Special orders

Cash Sales

When you purchase small amounts, or need something from a supplier you normally do not use, you write a check and buy something that is in stock. There is no special arrangement made except that the item might have a warranty. You buy the item and may not see the supplier again for a while. There are no agreements made here except that your check is good for the amount written.

Open Accounts

All contractors normally have open accounts with suppliers they use frequently. You can pick up materials and/or order delivery later, without paying for them at the time. The supplier bills you in the form of an invoice or a statement and sometimes uses both invoices and statements. In most cases a multi-copy invoice is made up when materials are picked up or delivered, with an unpriced invoice copy given to the person accepting the materials.

The person accepting the materials usually signs or initials the invoice, stating that the materials are in the quantity ordered and

in good condition. The invoice will usually have language to that effect. If you find out later that something is incorrect about the materials, you have little to say about it that will be effective. Someone had accepted the items and now you say there is a problem. Tough luck.

Everyone who acts for you in accepting materials has to have instructions as to how to inspect the goods for accuracy with the order. This includes doing a count and checking for the condition of the materials. In addition, the instructions may include where to deliver the materials to protect them from damage. As business manager you have to set up procedures and processes to make sure materials are handled correctly.

The order for materials and subsequent delivery and acceptance, constitutes a contract with your promise to pay under the terms of the agreement. You usually pay at the end of the month or within ten to 30 days. If you do not follow through on paying, the supplier has the right to file a lien on the owner's property. This becomes a serious matter. All of the agreements you made with the supplier, beginning when you opened the account, now come into play and become an enforceable contract.

Your desk should function as a center for distribution, not as a warehouse.

Special Orders

Special orders are a problem to many contractors. An item is ordered without enough care to detail and it is the wrong item. Most suppliers require you to sign a form that says that the item is not returnable. You order it and you own it. In some cases the item might be a stock item for the warehouse and you can return it with a restocking charge.

A special order is usually a contract to buy an item. Your staff has to understand this clearly before ordering or setting up materials lists from plans and specifications. The latest amendments to the plans and specifications have to be in hand before making these orders.

Lenders

Lenders rent money out to people. They pay people in the form of interest to leave the money with them for their use in lending it out. They collect interest from people like you who use the money for various amounts of time. Every method the lender uses to get money in or to lend money out involves a contract.

If you take out a loan with monthly payments, there is an installment

contract for the repayment of the loan. If you set up a line of credit loan, the money you have out is governed by the contract you signed to get the credit line set up. Interest rates and repayment terms are agreed upon in advance. In some other cases you might have short term loans, which are renegotiated every month or quarter, for specific amounts to cover projects in progress. Because your work load changes, your need for financing changes. Each loan is a contract.

Staff has to understand that the business has to keep its promises regarding these loan payments. Those who work out payment schedules for projects have to make sure the payments are covered from revenue. As business manager you have to oversee the staff to make sure cash flow follows predicted patterns.

Employees

You have the option of having employment contracts with your employees. Most contractors do not set up contracts with their trade and clerical people, but do have contracts with management and sales staff.

In most states an employee is hired under an "at will" basis. This means that either party can terminate the employment agreement "at will," with minimum notice. There is no written arrangement. The employee is hired and is covered by state and federal employment laws that govern the employee/employer relationship. These include:

- Unemployment compensation
- Workers' compensation
- Minimum wage
- Overtime compensation
- Prevailing wage rates for state and federal projects
- OSHA safety rules
- Withholding of state and federal taxes

You have the option of hiring all employees under an employment contract. The contractual agreement governs the nature of the relationship (except for most of the same laws noted above). You have the option of requiring more hours from the employee in exchange for a salary that is not calculated by hours worked. This means that hours worked are not based on forty hours a week and eight hours a day. The parties agree on the terms of employment and still have to comply with law, but the agreement can be more flexible.

Sales people on commission, production people and estimators may

"When you need financing, "no" is not an acceptable answer. It's just your cue to look elsewhere."
John M. Capozzi

A winning business team is made up of people who can replace you by doing their tasks.

be paid on performance or on business contracted. The employment agreement can be designed for greater reward in case of better performance. You will have to check with your state and local laws for closer guidance. As business manager, you want to learn how to set up your staff and trade workers to give them every opportunity to benefit from good performance. Remember, if you did not write it down you are asking for disputes and employment hassles.

Administering the contracting business is not glamorous. It involves a group of routines that have to be done to keep the business going forward. If any required routine fails to be done for any length of time, the business can suffer failure.

Financial

The single greatest cause of business failure for contracting companies is poor financial management. The company simply runs out of the money it needs to operate. As business manager you have to deal with this reality. Financial issues are dealt with in detail in Chapter 2.

Sales

Your business will have nothing to do if there are no sales. Managing a sales process involves the whole staff of the company. Sales strategy is dealt with in detail in Chapter 3.

Marketing

You cannot sell your product and service if there are no prospects to sell to. Marketing management follows the company's market plan. The manager makes sure the market plan is followed and corrected when necessary. Chapter 4 deals with marketing.

Production

Your contracting business cannot produce products and perform services unless:

- The business is in sound financial health
- Sales are made to new customers
- The market plan brings in new prospects to sell to

Production issues are dealt with in Chapter 5.

Administration of Company Operations

Your contracting company has to have an operation center. This is usually an office. The *Advantage Contractor Business Success Series* course, *Office Setup and Operation for Construction Contractors* describes how to accomplish that in detail. Your administration duties and efforts will be easier if your office works well.

Never mistake a slogan for a real, workable solution.

Office

The office deals with activities that happen in the office itself and out in the field. In many ways it is the communication center for the company. As business manager you have to see to it that the office performs this duty well.

Project Management and Scheduling

The business manager has to pay attention to the flow of the work going on in the field. Much of the field work is planned in the office with an eye on the progress of the work. In the field, the workers deal with the project. In the office, the staff plans for the scheduling changes that inevitably occur from delays and modifications to the project.

A constant flow of project schedule information has to be moving among the staff so that everyone knows where the company is in relation to promises it can make to customers. For example:

- The sales staff has to know the ability of the company to take on new work before contracting another project.
- The estimator has to know the work capacity of the trade work employees before taking on new projects so pricing can reflect the higher costs of subcontractors if they are needed for the next project.
- The financial person has to know the condition of the company's cash position before new work is taken on that might disrupt the company's financial health.

All these people should be reporting to the business manager so that person can make decisions about new work and pricing and field staff changes. Facts about the company operation are necessary, not guesses.

Feedback From the Field

Just as there has to be constant feedback from the operation of the business within the office, there has to be regular feedback from the workers and subcontractors in the field. This is critical to those planning for new work and getting ready to close old projects. You can make use of phones, faxes, pagers and paper or electronic reports that those in the field send into the office. In all cases, those in the field should be reporting changes as they happen (or as soon after as they can).

Project Scheduling

"Time is money," someone said. Project scheduling is management of time. Therefore, project scheduling is an aspect of financial management. The more efficient you operate your company, the more income the staff can generate for the time spent working. As you go more and more into business management you will see the many possibilities for losing or making money through efficient management.

Don't wait! If you can do something now that will make a tomorrow easier, do it!

Company Equipment and Tools

A small, but important, aspect of business management concerns the efficiency of the company equipment and tools. It is not unusual for a contracting company to lose work time because equipment is not operational, or tools are not maintained or sharp. Those who use the equipment and tools have to understand what the maintenance schedule is for each item. The workers cannot be afraid to seek help and advice in the repair or improvement of the machines.

Some contracting companies rely on equipment to operate. When the equipment is not working, the company is not working. As business manager you have to make sure there are processes to find faults in equipment prior to their having the problem. Inspection and maintenance schedules plus professional repair will help. Little things mean a lot when the "little thing" keeps the big company out of production.

Building Codes

All contracting companies deal with building codes. For most contractors, the codes are routine guides that they deal with constantly. Sometimes projects change and building codes cause problems. If you take on any new work that is substantially different from what you normally do, check the potential code issues involved.

You will deal mainly with three areas of the building code. These areas depend on what type of work you do, and how much it deals with fire, health and safety issues. The three areas are:

- The local structural code
- The local dwelling code
- Local building permits

The *Advantage Contractor Business Success Series* course, *Building Codes and the Construction Contractor*, provide details of dealing with codes and permits. As business manager you have to make sure the staff of your company deals with them too.

The structural code deals with all structures. It sets the guidelines for:

- Building design
- Fire code
- Electrical code
- Plumbing code
- Specialty codes

The dwelling code deals with residences. It sets the guidelines for those structures used as residences. In most cases these buildings are limited to two stories and four units. Exceptions exist based on use and the terrain of the lot. The dwelling code also deals with guidelines for:

- Building design
- Fire code
- Electrical code
- Plumbing code
- Specialty codes

Your staff have to keep up to date on the code currently in use in your area.

Estimating

Estimating deals with the financial part of your business management duties. For each estimate that turns into a project, you want to know how close the estimate predicted the actual costs, especially in the area of labor costs. To do this you have to have a process of gathering information on all costs for the project and recording them for comparison to the estimate. The *Advantage*

Carry a yellow pad of paper wherever you go:

- You will look like you are in business.
 - You will be seen as a professional, even in work clothes.
 - It gives an impression of control.
 - When the need for any notes arises, you are ready.
-

Contractor Business Success Series courses, *Construction Estimating* and *Record Keeping for Construction Contractors* shows ways to record project cost information. These courses also have forms and procedures to make cost-to-estimate comparisons.

Gathering Information

Gathering information about the project costs happens:

- Prior to the project being estimated
- During the course of construction
- After the project is completed to recover all costs for a final review

As business manager, you want to find out how the company is doing on getting the estimate correct and then following through on an efficient project. You can find many places for potential savings in the company operation. The information deals with:

- Material costs
- Labor costs
- Pricing
- Project costing
- Business expenses

Material Costs

How accurate is the staff on getting correct prices for materials? Is the ordering done according to the estimate, or are there overages and waste? Are your prices up to date with your suppliers so the cost estimate is equal to the charges?

Labor Costs

Labor costs are notoriously difficult to predict. How can you improve your estimating of labor costs to include project variables into the estimate? Are you developing a labor cost book, listing the common variables of your work by the type of project and the type of work? Do you keep this labor cost book up to date according to differences in skilled and unskilled labor?

Pricing

How do you determine your project markup? What factors do you include for:

- Profit

Your memory is enhanced by paper. Take and keep complete notes.

- Business costs
- Equipment replacement and maintenance
- Tool upgrades, replacement and maintenance
- Employee training and development

Project Costing

What process do you use for project costing? Is it inclusive to all costs of the project? How can you be sure that costs are allocated correctly to each project?

Business Expenses

What are your business expenses? How do you set them into a budget so that you know how to include them in your pricing process? What mechanism do you have to compare your business costs to the amount you include in your markup to cover them? How often do you look at your business expenses to correct the amount of markup necessary to cover them? Are you aware that all business expenses not recovered through project markup are lost and come out of profit?

Getting Help

If all these duties and activities of business management sound daunting, there is help. Many contracting businesses operate successfully and profitably. They are not accidental situations, but carefully managed companies. Local people in contracting, or people who are retired from contracting, are often willing to help.

*Better to ask
twice than to get
it wrong once.*

Service Corps of Retired Executives (SCORE)

The Small Business Administration sponsors this service activity around the country in most moderate to large sized cities. Volunteers who are retired from owning and operating businesses give their time to advise and counsel small businesses. The service is free. The danger is that because it is free, you might think it is not worth much. Not so!

SCORE recruits people who want to see young and struggling business do better. They put on workshops and provide one-to-one counseling on the specific problems you are experiencing. They schedule one hour interviews with one or two retired executives that have experience in your type of business. SCORE will help you at any stage of your business life.

In most phone books SCORE is listed in the white pages. In some

cases the listing might be in the United States Government section under Small Business Administration. For help in finding a SCORE office somewhere near you, consult a close-by Chamber of Commerce office.

Thank people often. The more you thank folks, the more they will want to help.

Small Business Development Center (SBDC)

SBDCs are usually associated with a college campus. The Small Business Administration funds their start-up activities and then they charge fees for most of their services. In many cases one-to-one counseling is available at no cost.

Your business will get many more types of help at a SBDC than SCORE. SBDC services include:

- Workshops on many parts of a business operation
- Start-up to fully operational classes which are on-going for many different types of businesses
- Libraries with books, tapes and other information for you to use
- Long term (two to three years) assistance with your business through a program of in-depth commitment to business growth and change
- Referrals to many sources in the business community for specialized help

Classes

Classes offered by SBDCs are usually offered in cooperation with the college's adult education services. The SBDC and the college often work together to present various business classes to help diverse business types. In many cases a class will help you even though it is not focused on contracting. Find out what classes are offered and get on a mailing list for future classes.

Counseling

You can arrange for business counseling through your local SBDC. They have paid and volunteer counselors available to meet with you and discuss problems. While these people may not have been contractors, they can be of great help in answering business questions that you can then relate to your operations.

Trade Associations

Most cities of any size have trade associations involved with contracting. The following list is for major associations that are likely to have local chapters. There are many more associations

listed in the Resources section at the back of the book.

- Associated General Contractors
- National Home Builders Association
- National Association of the Remodeling Industry
- American Subcontractors Association
- National Association of Women in Construction

Act and look professional and people will assume you are.

These groups usually require both membership dues and participation to get full benefits. Your phone book will most likely give you a contact number. The local SCORE, SBDC, and Chamber of Commerce usually know of the professional associations in the area.

Do not be afraid to ask for help. All business people have business problems. Every problem you may have, someone else has already had and dealt with. Make it easy on yourself and get some advice.

Exhibit 1: Subcontract Agreement

Subcontractor Agreement

(Contractor/Subcontractor)

Agreement made between the Contractor _____

and the Subcontractor: _____

1. General project description: _____

2. _____
The specific work of this Agreement shall consist of: _____

and shall be in accordance with the specifications, drawings, and other contract documents, described in this agreement.

3. The work shall begin no later than _____
and be completed no later than _____
subject to adjustments as provided in this agreement.

4. The Contractor shall pay the Subcontractor the sum of _____ Dollars(\$_____),

5. The Contractor shall make progress payments to the Subcontractor according to the following schedule:

Completed Work	Amount to be Paid
_____	_____
_____	_____
_____	_____
_____	_____

Total _____

Retainage of _____% on each payment to be paid as follows:

Final payment shall be made when the work has been completed and the Agreement is fully performed to the Contractor's satisfaction.

- 6. The subcontractor agrees to be bound by the construction documents as follows:
 - a. The Construction Agreement is the executed agreement between the Owner and the Contractor dated _____.
 - b. The General Terms and Conditions of the Construction Agreement executed and dated _____.
 - c. The Specifications contained in the Project Manual and dated _____
 - d. The Drawings as follows: _____

 - e. Other documents as follows: _____

7. Other provisions:

This agreement entered into this _____ day of _____, 19 _____.

Signature of Contractor

Signature of Subcontractor

Printed Name

Printed Name

Exhibit 3: Subcontract Work Order**Declaration of Compliance**

Subcontractor Name: _____

SS#: _____

DBA: _____

Address: _____

Phone: _____

Oregon Construction Contractors Board Information

Registration #: _____

Category of Registration: _____

Registration Renewal Date: _____

Bonding Company: _____

Bond #: _____

Renewal Date: _____

Insurance Company Name: _____

Policy #: _____

Renewal Date: _____

Bond & Insurance Agent: _____

Phone: _____

Employment Information

CCB Employment Status: _____

Federal Employer Identification #: _____

Oregon Employer Identification #: _____

Employment Division #: _____

Workers' Compensation Carrier: _____

Policy #: _____

Contact: _____

Phone: _____

Employee Lease/Temp. Service: _____

Contact: _____

Phone: _____

I certify the above information to be true and correct.

Signed_____
Date_____
Name