



Time is Money!

Four Tools to Boost Profits

Leslie C. Shiner
Owner
The ShinerGroup

A copy of this presentation is
available upon request to
LShiner@ShinerGroup.com



Copyright Materials

This presentation is protected by US and International copyright laws. Reproduction, distribution, display and use of the presentation without permission of the speaker is prohibited.

© 2019 The ShinerGroup. All rights reserved.




Leslie Shiner



The ShinerGroup

- Owner of The ShinerGroup
- Financial & management consultant for over 25 years
 - *MBA in Accounting and Finance from U.C. Berkeley*
 - *Advanced QuickBooks ProAdvisor*
 - *Sage Certified Consultant*
- Contributing Columnist
 - *Remodeling Magazine, JLC Magazine*
- CPA Practice Advisor Top Thought Leader
- Author
 - *A Simple Guide to Turning a Profit as a Contractor*
 - (www.MoneyMazeBooks.com)



Learning Objectives

- Utilize time management techniques to keep jobs on track
- Track employee's productivity and measure the cost per productive hour
- Track committed costs to manage slippage
- Analyze the time factor of change work


Four Tools – Focus on Profits

- 🕒 Utilize time management techniques to keep jobs on track
- 🕒 Track employees' productivity and measure the cost per productive hour
- 🕒 Track committed costs to manage slippage
- 🕒 Analyze the time factor of change work




#1 – Keep Jobs on Track

- Time is money!
- How can using a schedule increase profit?
- Two jobs with same costs – one is completed two weeks early. What is the effect?
 - *More profit due to:*
 - Less overhead involved
 - More efficient production
- More jobs in same amount of time



Scheduling Opportunities

- Create a schedule to improve sales
 - *During the sale to impress clients*
- Create a schedule to improve procurement
 - *Prior to the start of the job*
- Create a schedule to improve production
 - *During the job to improve productivity*
- Create a schedule to improve profit!



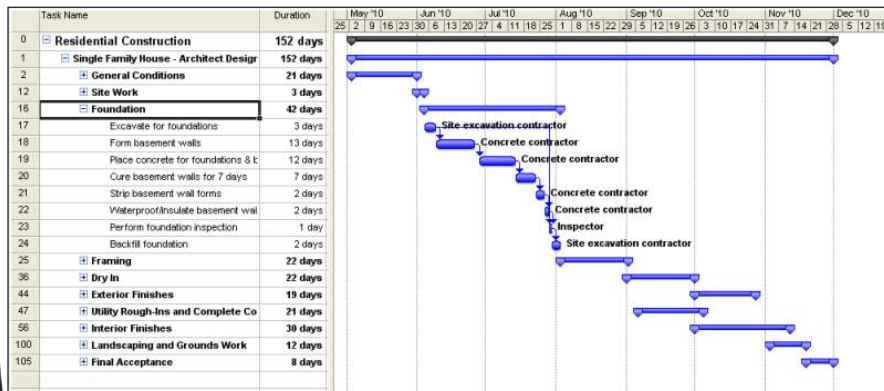
Getting Jobs Done Faster = More Profit

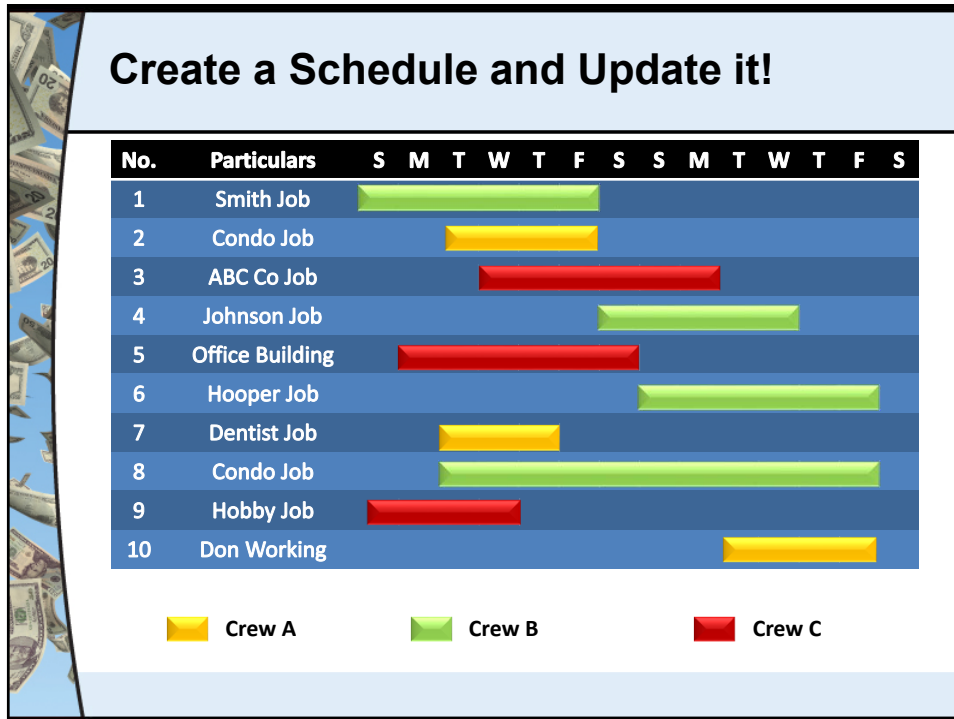
- Scheduling forces you to think ahead
 - *Better procurement planning*
 - *Improved ability to obtain commitments*
- Easier to notice problems
 - *Reduction in time required to make fixes*
- Improved planning of existing tools, equipment, subcontractors, and all resources

Scheduling Benefits

- Reduced time to complete project results in reduced exposure to:
 - Insurance claims from accidents
 - Weather impacts
 - Theft
 - Non-payment or delayed payment by client

Utilize a Gantt Chart





- ### Create Time Management Rules
- Determine response by level of communication needed
 - *Text, email, phone*
 - *What is your preference? What is more efficient?*
 - Start the day with list of expected tasks to complete
 - *Do not read your email first thing in the morning!*
 - Use calendar software to create future events
 - End the day with creating list of tasks for tomorrow

Four Tools – Focus on Profits

- ☑ Utilize time management techniques to keep jobs on track
- 🕒 Track employees' productivity and measure the cost per productive hour
- 🕒 Track committed costs to manage slippage
- 🕒 Analyze the time factor of change work



2 – Keep Track of Time

- Time is money!
- Labor has the most risk in remodeling
- Create an estimate for labor costs **and hours**
- Require timecards from all employees
 - *Even you!*
- Track the estimated to actual hours on each job to find areas of slippage



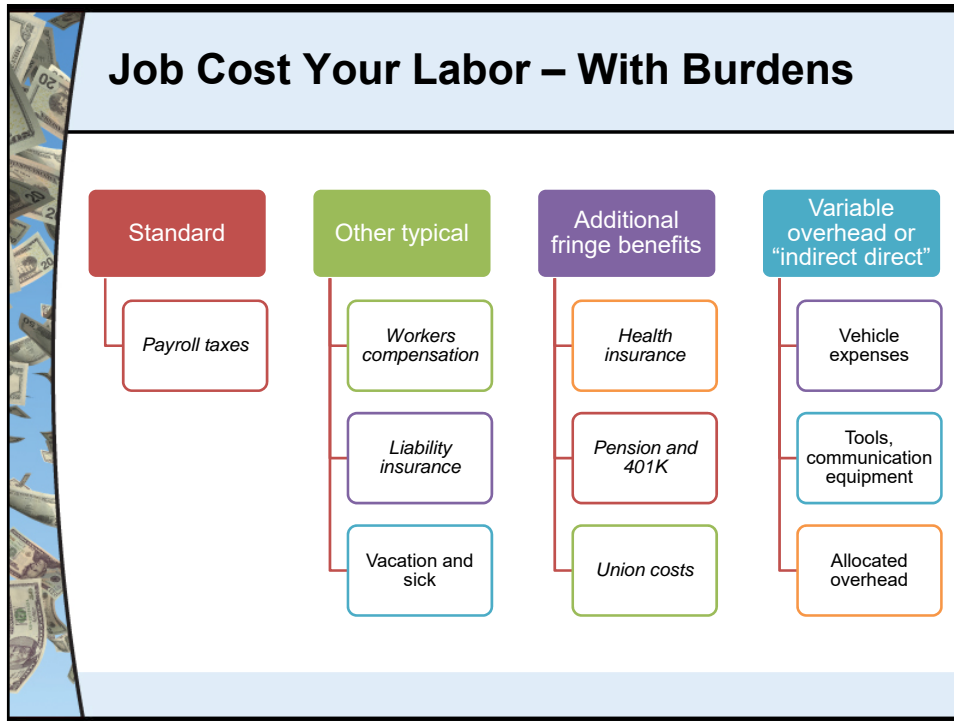
Use Timecards to Your Advantage

- Provide employees with information about estimated time to complete tasks
 - *Ask employees for input to agree with estimated time*
 - *Achieve buy-in*
- Create additional time card items for
 - *Non-productive work*
 - *Drive time, meetings, materials runs, 'wait time'*
- Track without punishment (if you want true information)




What is Your True Labor Cost?

- Burdened labor: gross pay to employees plus all the costs associated with paying employees
- Job cost fully burdened labor means:
 - *More accurate job costing*
 - *Higher COGS, lower overhead*
 - *Better understanding of true costs!*
- Allows accurate breakeven analysis and planning for growth



- ### Labor Burdens – Standard
- Do you burden job costs with the following?
 - Payroll taxes
 - Employer Social Security and Medicare
 - State employer costs such as unemployment taxes
 - FUTA
 - Workers' compensation
 - How do you handle Experience Modification?



Labor Burdens – Other Typical

- Liability insurance
- Health insurance
 - *Some companies only track employee portion*
 - *But, employer portion is a cost that should be included as a burden*
- 401K and other pension plans
- Vacation, holiday and sick
- Non-productive time



Consider Other Costs?

- Variable overhead or “Indirect Direct”
 - *Communication equipment, cell phones*
 - *Vehicle costs*
 - *Small tools/supplies/consumables*
 - *Unbillable time, down time, windshield time*
 - *Safety meetings, production meetings*
 - *Education, training and certifications*
- All costs that belong to employees
 - *Ask yourself: If I hired another person, what costs will go up?*



Small Tools Calculations – Per Hour

- What was the total you spent last year on small tools?
- What were the total “productive” hours spent on the jobs?
- Divide to determine rate per hour
- Often rate is approximately \$0.50/hr
- Add burden per hour, not per dollar wage
 - *Less expensive employees often lose more tools than the more expensive employees*



Think About Hourly vs. Monthly Costs

- You do the math
- Assume health insurance cost of \$420 per month
- Assume 4.2 average weeks per month
- Cost is approximately \$100 per week
- Hourly cost is \$2.50 per hour
 - $\$100 \div 40 = \2.50

Understand Monthly Costs

- But what happens your employees don't work 40 hours a week? when it rains?
- If you pay for only 32 hours in one week, it now costs \$3.13 per hour
- What if your employee takes a week off unpaid?
- It still costs the same per month
 - *But it costs more per hour!*

Let's Run Some Numbers

- Costs that are a percentage of wages

Burdened Hourly Rate*			
HOURLY COSTS:			
Gross			25.00
Social Security	6.20%		1.55
Medicare	1.45%		0.36
State Unemployment	3.50%		0.88
CA Emp Training Tax	0.10%		0.03
FUTA	0.80%		0.20
Worker's Comp	5.00%		1.25
Liability Insurance	5.00%		1.25
Holiday - # of days:	10	4.00%	1.00
Vacation - # of days:	15	6.00%	1.50
Total Hourly			33.01

Let's Run Some Numbers

- Costs that are monthly or yearly

	Per Month	Per Year
Health Insurance (ER portion)	550	6,600.00
Dental/Vision	125	1,500.00
401K Match - Maximum		2,500.00
Cell Phones	50	600.00
Office Supplies/Small Tools	100	1,200.00
Vehicle Costs	400	4,800.00
Overhead per FTE	1,500	18,000.00
Others ?		

Determine Burdened Cost Per Hour

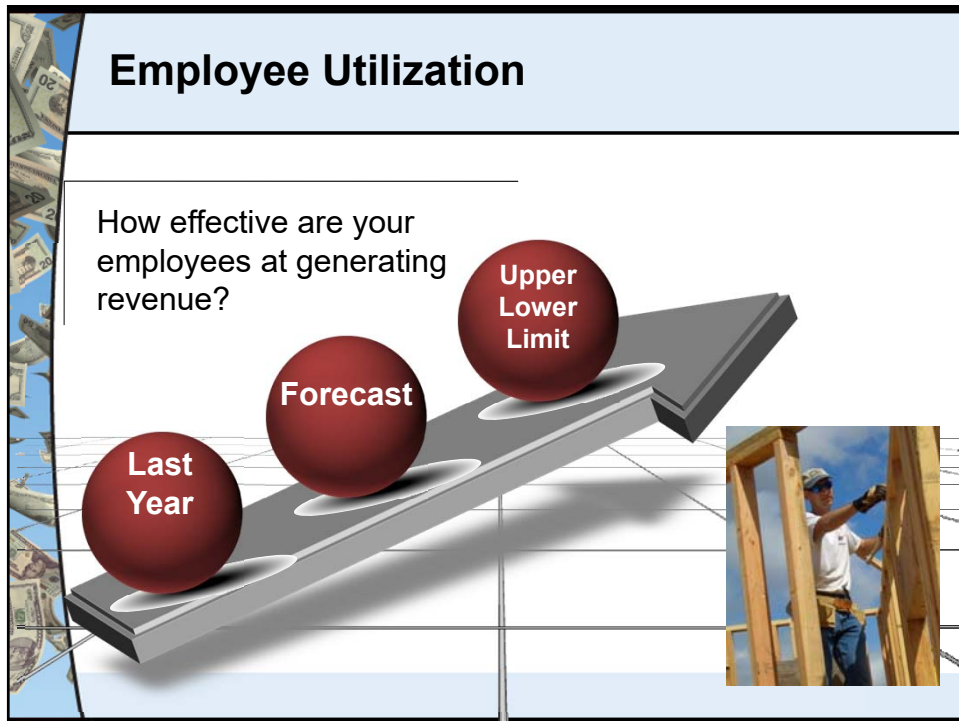
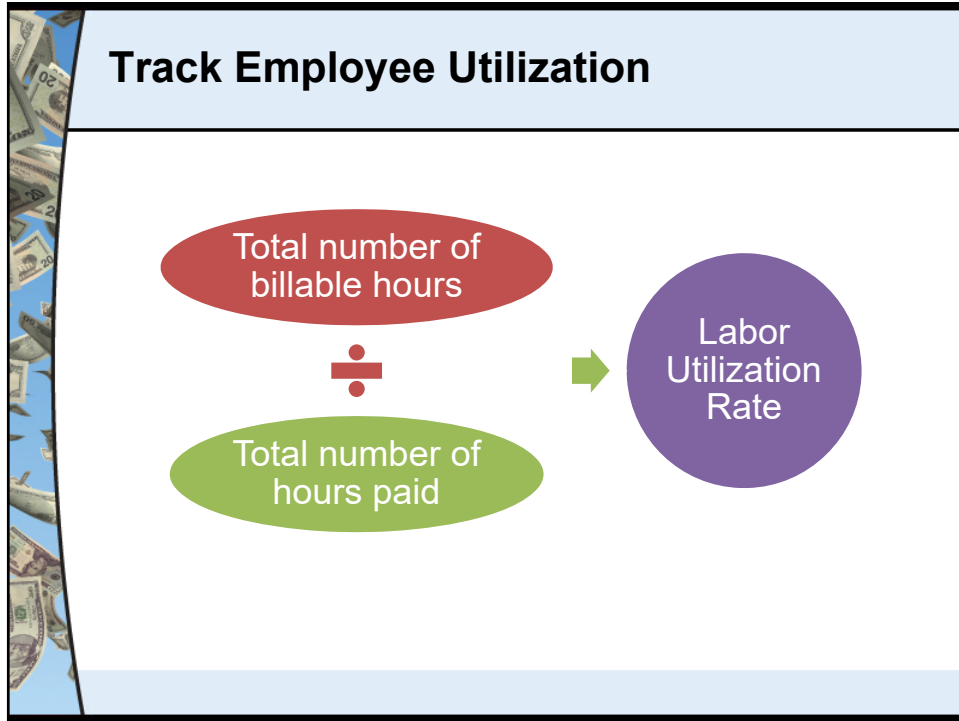
Gross: \$25.00


Burdened: \$50.61

Burdened with 55% utilization: \$92.02

Burdened Hourly Rate*		
Total Estimated Hours Paid	2,000	
Total Estimated Billable Hours	1,100	
HOURLY COSTS:		
Gross		25.00
Social Security	6.20%	1.55
Medicare	1.45%	0.36
State Unemployment	3.50%	0.88
CA Emp Training Tax	0.10%	0.03
FUTA	0.80%	0.20
Worker's Comp	5.00%	1.25
Liability Insurance	5.00%	1.25
Holiday - # of days:	10	4.00% 1.00
Vacation - # of days:	15	6.00% 1.50
Total Hourly		33.01
CONVERT TO YEARLY		
Hours paid per year	2,000	66,025.00
	Per Month	Per Year
Health Insurance (ER portion)	550	6,600.00
Dental/Vision	125	1,500.00
401K Match - Maximum		2,500.00
Cell Phones	50	600.00
Office Supplies/Small Tools	100	1,200.00
Vehicle Costs	400	4,800.00
Overhead per FTE	1,500	18,000.00
Others ?		
Total Yearly Cost		101,225.00
Total burdened hourly rate	2,000	50.61
Total hourly billable cost	1,100	92.02
Utilization rate	55%	


(*enter amounts in yellow only)





Employee Utilization

- Improve utilization before hiring more staff
 - *Increasing employee utilization will increase profitability without increasing expenses*
- Create an employee utilization goal
- Consider PTO (paid time off), training, production meetings, safety meetings, etc.
 - *85% may be the highest possible number you can achieve*



Ask Your Employees

- Poll your employees
 - *Where do they see wasted time?*
 - *What can you do to make them more productive?*
- Are your most expensive employees doing the most difficult tasks?
 - *Who goes on the material runs?*
- Do you need to hire more field personal or help your current crews be more efficient?
 - *Have you considered temporary labor force or more subcontractors?*




Benefits of Increased Utilization

- Increasing utilization increases gross margin
- Increasing gross margin increases
 - Ability to increase overhead
 - Ability to increase net profit
 - Ability to grow!




Four Tools – Focus on Profits

- ☑ Utilize time management techniques to keep jobs on track
- ☑ Track employees' productivity and measure the cost per productive hour
- 🕒 Track committed costs to manage slippage
- 🕒 Analyze the time factor of change work



#3 – Keep Track of Future Costs

- Time is money!
- Why do jobs lose money at the end?
- Are you fooling yourself into thinking there's more money available than there really is?
- Determine budget
 - *Subtract current costs*
 - *Subtract committed costs*
- That's the available budget!



Utilize Committed Cost Reporting

- What costs are committed?
 - *Materials and equipment*
 - *Subcontractors*
- What costs are internal?
 - *Labor*
 - *Other miscellaneous supplies*
- Determine your available budget
 - *(as opposed to your remaining budget)*

First Create the Budget

- What dollars are already committed?

Item #	Description	Budget	Committed	Internal
			Dollars	Dollars
100	Demolition	2,000.00	400.00	1,600.00
200	Framing	4,000.00	350.00	3,650.00
300	Cabinets	4,200.00	4,000.00	200.00
400	Countertops	2,700.00	2,700.00	
500	Appliances	2,500.00	2,300.00	200.00
600	Electrical	2,800.00	2,500.00	300.00
700	Plumbing	1,800.00	1,500.00	300.00
	Total Budget	20,000.00	13,750.00	6,250.00
	Overhead & Profit	10,000.00		
	Total Sale Price	30,000.00		

Analyze the Job – During the Job!

- Compare actual cost to estimated costs

Item #	Description	Budget	Cost to	Remaining
			Date	Budget
100	Demolition	2,000	1,900	(400)
200	Framing	4,000	3,600	500
300	Finish	4,200	2,200	200
400	Plumbing	2,700	1,350	1,500
500	Appliances	2,500	0	6,500
600	Electrical	2,800	400	6,500
700	Appliances	1,800	400	1,400
	Total Budget	20,000	9,850	9,700
	Overhead & Profit	10,000		
	Total Sale Price	30,000		

Analyze the Job – During the Job!

- How much is really left in the budget?

Item #	Description	Budget	Cost to Date	Committed Costs	Available Budget	Remaining Budget
100	Demolition	2,000	1,900	250	(150)	(400)
200	Framing	4,000	3,600	300	100	500
300	Finish	4,200	2,200	2,000	0	200
400	Plumbing	2,700	1,350	1,350	0	1,500
500	Appliances	2,500	0	2,300	200	6,500
600	Electrical	2,800	400	2,500	(100)	6,500
700	Appliances	1,800	400	1,500	(100)	1,400
Total Budget		20,000	9,850	10,200	(50)	9,700
Overhead & Profit		10,000				
Total Sale Price		30,000				

Manage the Last 20%

- Too many jobs are profitable up until they are about 80% complete
 - After completing 50%, review estimated costs to complete
 - Track subcontracts completed but not billed yet
- Know how to close a job
 - “Mostly done” is not the same as done

Committed Cost Report

- Current budget, including change orders
- Costs incurred to date
- Committed costs
 - *Uncompleted subcontracts*
 - *Unfulfilled PO's*
 - *Payroll in progress*
- Remaining budget

Determine overruns while you still have time to make corrections!

Sample Committed Costs by Job - QB

Quality-Built Construction Committed Costs by Job All Transactions						
	Est. Cost	Act. Cost	Committed Cos...	Unpaid Wages	Total Cost	Remaining Cost
▼ Campbell, Heather						
House-New Construction ▶	213,455.00 ◀	143,468.05	15,000.00	54,179.00	212,647.05	807.95
Total Campbell, Heather	213,455.00	143,468.05	15,000.00	54,179.00	212,647.05	807.95
▼ Cruz, Albert						
Kitchen Remodel	200,000.00	129,915.40	63,250.00	0.00	193,165.40	6,834.60
Cottage - New Construc...	298,825.00	203,570.46	0.00	46,765.50	250,335.96	48,489.04
Total Cruz, Albert	498,825.00	333,485.86	63,250.00	46,765.50	443,501.36	55,323.64
▼ Molotsi, Hugh						
Second Story Addition	408,200.00	318,497.19	25,142.00	45,753.00	389,392.19	18,807.81
Total Molotsi, Hugh	408,200.00	318,497.19	25,142.00	45,753.00	389,392.19	18,807.81
▼ Wiessinger, Gary						
Bathroom Addition	121,650.00	116,314.92	43,521.00	34,618.00	194,453.92	-72,803.92
Guest Cottage	205,300.00	189,549.96	0.00	57,540.00	247,089.96	-41,789.96
Total Wiessinger, Gary	326,950.00	305,864.88	43,521.00	92,158.00	441,543.88	-114,593.88
TOTAL	1,447,430.00	1,101,315.98	146,913.00	238,855.50	1,487,084.48	-39,654.48

Sample Committed Costs for One Job



Managed Rite Construction

Committed Costs
Job# 220 Lamb Shoes, Includes POs, Subcontracts

Cost Code	Budget + Changes	Cost To Date	Committed Costs	Remaining Budget
1000.000 - GENERAL REQUIREMENT	2,746.50			2,746.50
1020.000 - Contingency	4,250.00			4,250.00
1310.000 - Permits	1,102.46			1,102.46
1540.000 - Mobilize & Demobilize		218.23		-218.23
2200.000 - Demolition	333.70	1,069.76	166.85	-902.91
6100.000 - Rough Framing	3,364.20			3,364.20
6120.000 - Wall Framing	449.25	1,583.39		-1,134.14
6200.000 - Finish Carpentry	451.10		114.22	336.88
6400.000 - Custom Casework	1,090.00			210.00
6700.000 - Rough Hardware	45.48	48.23	1.76	-2.51
8100.000 - Metal Doors & Frames	909.00	743.11	825.00	-659.11
8300.000 - Special Doors	5,775.00	87.00	4,200.00	1,458.00
8700.000 - Hardware-Door & Window	68.31		68.31	
9500.000 - Acoustical Treatment	1,960.00			1,960.00
9660.000 - Resilient Flooring	2,926.35		2,663.85	262.50
9680.000 - Carpet	4,689.81		4,315.50	374.31
10500.000 - Lockers & Shelving	5,262.40		5,262.40	
10800.000 - Bath Accessories	71.20		71.20	
15100.000 - Plumbing	1,525.00			1,925.00
16100.000 - Electrical Wiring	4,106.08	1,991.04		2,115.04
16250.000 - Electrical Fixtures	960.00	1,032.02		-72.02
Totals:	42,455.84	6,770.78	18,539.09	17,145.97

Four Tools – Focus on Profits


- ☑ Utilize time management techniques to keep jobs on track
- ☑ Track employee's productivity and measure the cost per productive hour
- ☑ Track committed costs to manage slippage
- 🕒 Analyze the time factor of change work



#4 – Keep Track of Changes


- Time is money!
- There are additional costs for doing change work other than additional materials and labor
- How much time does it take to manage the changes?
- Are you tracking your own time for changes?

If you are already doing the work...
why not get paid for it?




Selling Change Work

- Change orders can make or break a job
- Paperwork – the necessary evil!
- How much money have you decided to not ask for on jobs in the past?
- How much money do you write off at the end of the job?
 - *Was that a result of poorly managed changed work?*



Process, Process, Process

- Create field documentation
 - *Change order work authorization form*
 - *Manually filled out on the job*
 - *Three part form for 1) client 2) field 3) office*
 - *Not necessary to include pricing*
 - *Get signature from client*
- Make the process easy for your field crews
 - *Too much paperwork may mean more free work that you are giving away*



Be Honorable

- Don't sell the job just for the change work
- You can't improve profits with angry clients!




Change Orders - Pricing

- Determine pricing of change work as part of contract
 - *Who is your competition?*
 - *You can charge different overhead and profit rates for change work*
 - *You can charge different rates for increase/decrease in scope of work*
- Determine pricing for change work
 - *Flat price vs. T&M or cost plus*



Do You Charge a Fee?

- Your expertise and additional time has value!
- Consider including a processing fee
 - *Change order flat fee*
 - *Percentage for increased job management*
 - *Charge for additional time in research, coordination*
- You can always waive the fee if you want
 - *But be sure to show it, and then you can waive it*





Change Orders - Communication

- Set the expectations with the client right from the get go!
 - *Teach clients and employees about process*
- Make sure that all personnel know who is authorized to approve change work
- Document discussion with owners, architect, designer and all parties involved





CO's – the Ever Changing Budget

- Track two components of change work
 - *Adjustments to contract price*
 - *Adjustments to budget*
- Revise project budget to reflect change work
- BEBO – Bill Early, Bill Often
 - *Early invoicing of change work (even partially complete) keeps the change from being forgotten*



Four Tools – Focus on Profits

- ✓ Utilize time management techniques to keep jobs on track
- ✓ Track employees' productivity and measure the cost per productive hour
- ✓ Track committed costs to manage slippage
- ✓ Analyze the time factor of change work




Questions and Thank You!

This concludes the Continuing Education Program

Leslie C. Shiner, MBA



LShiner@ShinerGroup.com
(415) 383-6255
www.ShinerGroup.com
www.facebook.com/TheShinerGroup
Twitter: @TheShinerGroup



A copy of this presentation is available upon request to LShiner@ShinerGroup.com

