

# The Overlooked Path to Profit: Accounting Department + Field



BY GARRETT J. SULLIVAN

They're two completely different animals and usually out of sync. I'm talking about your field personnel and your accounting department. These employees rarely have the same focus. Instead, your accounting team pulls out its hair trying to get man-hours and man-hour reports on time – and your field personnel don't understand why paperwork is so important when they're in the middle of pouring concrete.

Rather than allowing friction to build up between these competing – but equally important – initiatives, why not bring these teams together at the start of each job? Think of it as laying the proper foundation. The upfront effort will yield tangible benefits including better profits.

There is a huge amount of lost productivity – up to 50 percent – when these teams do not work together. You end up with late starts/early quits, late or inaccurate information, long waits for instructions or materials, rework, improper staging of materials, etc. You can mitigate these situations by establishing protocols that ensure your field and accounting teams are working together from the start. Obviously, your field team doesn't need to know every detail about your balance sheet, nor does accounting need to know how to operate a crane, but these employees do need to be clear about their common ground.

When these teams understand their interdependencies and you create incentives for them to maximize their synergy, you will have just unleashed a significant boost to your bottom line. Here are some recommended protocols that can benefit every contractor:

### **Turnover Meeting**

After the job has been bid, subcontracts signed and start date established, there should be a turnover meeting where the estimating department officially turns the job over to the field. This should be a pre-established, standardized meeting with a set agenda to clearly define the budget. It's paramount that the field personnel thoroughly understand how the estimating department arrived at the budget and how their work activity costs in this job will be tracked and used to bid the next job.

I recommend reviewing an executive level budget that is available in nearly all accounting software packages and simplifying the finances of the job. In other words, make sure that anyone with direct labor responsibility in the field understands the budget, any relevant assumptions in its creation and the ramifications of departing from it.

### **Weekly Job Status Meeting**

With the advancements in technology today, every savvy contractor has its accounting department regularly updating the job costs to be 100 percent accurate. There is no reason or excuse not to have this information reviewed weekly at the job status meeting. Ask the operations person or department to create a simple excel spreadsheet that lists the job names/numbers, pending outstanding actions and the responsible person's name.

From the project manager to the foreman, everyone should discuss

job cost variances of 10 percent or more. Some contractors use man-hours instead of costs, and this, too, can easily be provided by the accounting department.

### **Incentive Bonuses**

Most unionized contractors are prohibited from giving payment to employees for "piece work" type of incentives. However, there does not appear to be a collective bargaining restriction against employees developing ways to save field labor costs that the employer shares with the employees. A common incentive is to have the employee(s) identify the proposed savings and the estimated amount of savings. When approved, the accounting department tracks these savings and distributes the money saved on a one-third basis: one-third to the company, one-third for taxes and one-third to the employees who created the savings.

In closing, consider this: Numerous studies on the construction industry show zero improvement in work production. These studies go back to before World War II. But think how much you could save by improving coordination between your field and accounting. As you prepare your annual field labor costs for your insurance carrier, picture how much better your bottom line would look if you increased labor production by a mere 10 percent. That is more than enough incentive to focus upon. **BI**

*For more reading on this subject, please visit [www.SullivanHi.com](http://www.SullivanHi.com). Garrett Sullivan is the president of Sullivan & Associates, Inc., a management consultancy focusing on the construction industry in Hawaii. Reach him at [GSullivan@SullivanHi.com](mailto:GSullivan@SullivanHi.com), [www.SullivanHi.com](http://www.SullivanHi.com) or (808) 478-2564.*