

“The Up Side of A Slow Economy & How It Can Improve Your Estimating Department”

First question most of you will likely ask is “what upside is there to a slow economy”? I’ll admit there can be a challenge to finding it. The truth is most construction companies have been running so flat out for the last four to five years they have not had time for much housekeeping, and often lack of good housekeeping can cause long term problems.

When we talk about housekeeping we aren’t referring to cleaning windows obviously, we’re talking about training staff, hiring better qualified personnel and upgrading technology to get work done better and faster.

If a piece of equipment on a job site gets broken, chances are its fixed immediately or replaced because it causes too much down time and inefficient use of field labor. On the other hand when a company runs flat out they may limp along with lower skilled workers in middle management, less skilled estimators and estimating software that has limited capacity. I’ve heard from many employers who echo that scenario.

I have talked with human resource directors and often software vendors who relay what they observe and in many cases, what they see is what I just mentioned above. I had a company president tell me he had no issues with the cost of a new software program, his issue was not having staff he felt comfortable with using it. In another situation I heard from a chief estimator who commented that they needed to upgrade their estimating capacity but didn’t know when the best time to stop doing things “the old way” and move on to a new system.

In my opinion a slow time in the economy is the perfect time to upgrade software, hire better staff, train that staff and get ready for the next busy cycle- things don’t stay locked down for very long in the construction industry, a busy cycle is just around the corner.

Keith Jones, President of E-bid Systems- Seattle commented-

“While I won't profess to be an expert in how to run a construction company, I think there are some universal truths to any company that is operating in environment of softening demand for its services. I am first reminded about the seventh habit from Stephen Covey's *The Seven Habits of Highly Effective People; Sharpening the Saw*.

It goes like this: Suppose you come upon someone in the woods working feverishly to saw down a tree. You can see that he is exhausted and that the blade is smoking so you ask him whether he might consider taking a break and spending a few minutes to sharpen the saw, explaining that this would make the job go faster. He replies that he doesn't have time to sharpen the saw because he is too busy sawing. So it has been in the construction industry, no time to sharpen the saw, but now there is an opportunity to take a critical look at people and processes to come up with ways to make each more efficient.”

“The other thing the estimators understand more than anybody in their business is win-loss ratios and their importance to business survival. In an environment with fewer opportunities, there are only two ways to keep pace; either increase the win ratio or bid more jobs. Increasing the win ratio is particularly difficult in the face of even greater competition for each project. Bidding more jobs may be the more achievable option but it requires that each estimator be able to handle a greater volume of work. This is where "sharpening the saw" applies. By providing training, new software tools, and incentives for winning more work, companies can better leverage their estimating resources.” said Jones. “As a construction software vendor, we have heard from a number of construction companies over the last few months that are consciously using both the seasonal slowdown and general market downturn to look at software tools for making their estimating processes more efficient. We have also heard from companies that are internally conflicted about making change, with some employees embracing it as a personal challenge that can also help their company as a whole and others who are fighting for the old ways. Some of those who are fighting change we are told do so because they fear that being more efficient potentially jeopardizes their job

security. However, we only need to look at the US automakers for a lesson as to what can happen without embracing the need to change.”

Camille Filling, Internal Search Consultant, Tetra Tech EC, Inc. in Northern Virginia adds these comments;

So, we are in an economic downturn – old news. Many organizations are downsizing via layoffs, early retirements, talent consolidation – and the list goes on. The question is: What **ARE YOU** doing, and what **CAN YOU** do for your organization during this uncertain crisis in our economy? You can either look ahead, or at your feet.

Typically during such a crisis, estimators are asked to either bid everything that becomes available, working and reworking their numbers, playing the odds game that if you bid enough, you eventually have to win something or working and massaging the relationship with the client who has money in his pocket. “Sure we can do that, no problem; we can work that in the design.”

Other organizations are taking a hard look at their portfolio and the future of their organization. How diversified is the portfolio? If you only base build hotels and restaurants, then you might need to take a look at renovations or another market that can stay above water during these tough times. However, you are now competing with organizations who have done nothing but – hotel and/or restaurant renovations, and you are competing with a known entity who has built solid relationships for years in that market. Lesson learned? This is also the time to take a good look inside the Estimating Team/Division. “How can our Estimating Division/Team take advantage of this slowdown?” Here are some suggestions:

1. Review your process. How can you become more efficient?

List step by step what your organization does from BD/Marketing to Final Bid.

Get a consensus from the Estimating Group, or if you are not a standalone department, involve your Project Managers, as to where the snags are when you are in full swing. Is it getting subs to adhere to your deadline? Is it vendors dragging their feet? Is it incomplete scopes? From bid to bid, what are the most frequently asked questions?

What will motivate subs to get their numbers in on time so you are not crunching at the 11th hour? Once vendor and or sub numbers come in the door, are they reviewed immediately or put off till all submissions are in? Are these submissions actively monitored with a time-sensitive approach? Can templates be made to save time with repetitive functions? When was the last time someone updated or checked the Excel Sheet formulas? How effective is the Change Order Process? Do we have a need for a dedicated Change Order Estimator, or can we consolidate that with another function within our division? Do we have Checks and Balances?

2. Are we using the right tools? Are we technologically savvy?

Can our current staff manipulate the Excel Sheets accurately that were initiated by Mr. X 15 years ago? Is there more room for error than efficiency? (I'm not down playing Excel, because many organizations use Excel quite effectively; however, staff does change, and we often do not have a match of capabilities.) Are there more productive solutions that will save us time and money in the long run that is easy to learn that our team can embrace? This is not to suggest throwing away what has been useful; however, it is a good time to take a look as to what else is out there when you have the time to thoroughly engage with potential software applications as well as to **HONE YOUR SKILLS WITH THE SOFTWARE YOU ARE CURRENTLY USING!** Is the latest version installed? How about setting aside some training time so the estimating staff can become savvy enough to effectively use the new modules? Just because Ernie the Estimator has the longest tenure, it does not mean he

is best to tutor the software. How about asking someone who has the genuine ability to impart their knowledge? How about the vendor? Is it part of the agreement? Don't know? Check it out!

3. Have an **“If only I could” discussion** with each team member. Perhaps there are people within the team that would like to learn more about the MEP divisions. Maybe the Division 2 Estimator would like to branch out. A well-rounded team has long-term benefits.

4. Succession Planning. It is a cold-hearted fact that no one is irreplaceable. We all like to think that we have talents crucial to the overall success of an organization; however, team members do become ill, team members resign and move on, and often the organization suffers due to lack of succession planning. Ensure you have identified someone who can pick up and take over for key positions and areas. Write it down and put a training/mentoring plan into effect to make it happen. Have a consensus of who will do what – involve the team. When team members genuinely feel they are part of solutions, solutions happen.

5. Training/Mentoring. Discuss before assigning. A key failure of mentoring programs is that the “chosen” mentor does not want to mentor nor does he have the personality or capability to do so. Discuss with qualified team members if they feel they would like to undertake this responsibility. Be prepared for perks or incentives for a job well done.

6. Do we have the right players performing key functions? Is our most experienced estimator with nose to the grindstone the one who is asked to meet and greet potential clients because “He is the one who habitually burns the midnight oil?” Remember that we have what most people call, “Front Room” and “Back Room” Estimators. Front Room are those who like to pump hands, smile, help bring in the business and talk

conceptual numbers. Back Room are those who often just want the plans passed under the closed door with a huge table and plenty of light and left alone to do their job. These professionals often hone the winning numbers; seeing the project through the blueprint. They are not big on talk, but are big on talent and are just as necessary as the hand-pumper. But – do you have the right player in the right position? Time for a reality check. Better yet, an informal talk with key players – are they happy with their role – how do they envision improvement?

- 7. Do we have all areas adequately covered, or are we lop-sided?** Ask team/division members to write down their daily, weekly and monthly tasks. Compare with job descriptions. Is there a large gap? Have the responsibilities changed so drastically that the job description needs to be changed, or has the individual assumed responsibilities that he is comfortable with rather than what he is responsible for, and has passed those responsibilities on to others within the division? May be a time to perform Efficiency Engineering.

- 8. Physical layout.** Is the current position of offices, desks, etc., and overall space planning the most effective for efficiency and productivity? Do you have to walk a football field to get to the plan room to talk with subs? Is the noisy kitchen or water cooler adjacent to the office of the “Back Room” Estimator? Are the Estimators constantly having to pick up their division phone causing constant recalculations?

- 9. Manuals.** Do you find that every four months someone is retraining on estimating protocol for the organization? How about documenting those procedures? Have an Admin become part of those discussions to document, or have someone who was recently trained write up their understanding of the procedures for peer review and go from there.

10. Getting to Work. The best seller for an organization is their talent. Time to brand and/or re-brand to sell your organization not only to potential clients, but to potential employees. There are a lot of individuals who have open ears right now. They are unsure of their future; they are holding on and nervous. They want a back-up plan. Regardless if someone is ready to make a move or not, they will remember you by their first impression of you and your organization. Clients are trying to hold hands with their financial backers; they have more time on their hands because projects are on hold. They have more time for networking and finding new sources of projects, and those that can build and/or develop them. Some key points:

- Don't slander the competition; state and consistently reiterate what you do best/differently/efficiently. Clients listen to positive and productive conversation.
- Let your talent, sell your culture/company (The right people in the right place.)
- Make the most of your company website and personal internet space. Take a look at your competition's website. Are you aware of all available professional networking tools beside Linked-In?
- Embrace Technology and all networking media. Master technological innovation and you drive impressive results. Creating company profiles, professional associations, or network groups using some of the latest communication tools are just some of the most cost efficient ways to a) establish your brand, b) generate press and c) establish a base for recruiting future employees to your firm. Technology drives communication. Social networking builds a reliable base to communicate and assists in ensuring the clients/future employees you are looking for, can also look for you.

The adage of turning negatives into positives has been around forever; now is the time to put it into action, and be productive in economic downturn.

