

Good morning, everybody. Dennis Engelbrecht, Digging Deeper. Today we're working on or looking at the second of our 10 most important factors for a construction company's success that I've learned over the years from all of you. So today we're going to talk about bad job avoidance. There's a saying in construction that, success is defined not by the jobs you do, but oftentimes by the jobs you don't do. Not taking on the work that you are either not capable of, has too much risk, is one too many to do at a particular time. And that's so important for a successful construction company, is to avoid those serious bad jobs. And those bad jobs not only take money, they ruin a lot of the good work. You go through the course of a whole year, and you may have done a lot of good work and you get one stinker that takes all of that success away.

It also tends to ruin some good people. Those failures oftentimes can be career changing for the folks that are on them. And very frequently those bad jobs end with the bulk of the group leaving the company, if not during the job, shortly after the job. So, there's a lot of baggage that goes with not just the financial loss, there's so much more.

So how do you avoid getting involved in these bad jobs? Well, the first is to make sure that you do have a good and rational go, no-go process. A way to decide, is this the work we should be pursuing? Is this work we should be taking on? Is this work we should be walking away from?

In order to do that, I mentioned that the process should be rational. Yes, it shouldn't be all emotional. If you have some fact-based ways to look at this, is the geography wrong? Do I have the right team to handle it? Is the owner a new owner? Is the job, the lack of planning in the job or whatever, is it too risky? All of those aspects that you're hopefully looking at rationally.

But somehow in construction, we tend to be irrational. We tend to rationalize that we can do anything. Yeah, this is the first like this, and this, it's got this problem, but we can do it. I'm sure we can do it and do it successfully. And we're very good at talking ourselves into that. So, one of the things we need besides this rational go, no-go process, is people who will push back, make sure there are people in your organization that raise their hand and say, "No, this job has warts all over it. We do not want to do this".

And as I've talked to owners who have had these bad jobs in their past, the signals were there, they just ignored them. But the signals were very clear. I remember one of the owners coming out of a meeting with the owner of the project saying, "I would no more do business with that guy than a snake in the grass". And lo and behold, they ended up doing the job and it was a major disaster for them. So, we need those processes, and we need those people that'll push back.

And we have to be on the lookout. It's not just always a bad job. Sometimes it's a bad contract. We get down to the end and there are contract terms there that we know we shouldn't agree to, but we've put all this work into it already getting this job, and now it's our job. But the willingness to walk away, of all the things that you do as an owner or a leader, having that willingness to walk away is one of the biggest protections. Yes, it might be a job you need, yes, it might break you through into a new sector or a new size, but those are the things that kill as well. So having that willingness to walk away when it's not right, if it has a bad contract, bad owner, bad schedule, be on the lookout for those things so you don't make the wrong decisions.

The second thing that happens kind of organizationally to give you bad jobs is what I'd call out kicking your coverage, taking on more work than you're really capable of, or possibly even the wrong kind of work because you don't have the skills or the experience in that type of work. And a lot of people suffered in multifamily over the last 10 years because that was a super-hot sector, and people tend to go where the work is.

Well, a lot of people got their noses bloodied in that work because they didn't have the talent, they didn't have the teams, they didn't have the subcontractor relations or the skills to really pull it off. And it is probably very high risk anyway, because of the schedule demands that there often are there. But don't out kick your coverage. We've talked about everybody's got A, B, and C teams. Well, if you take on too many jobs that require A teams and you got to put C teams on

it, that's a high risk right there. And it is possible to do those jobs, but then it also takes a great deal of support behind it. And that's part of making sure you don't out kick your coverage. If everybody in the organization is so stretched that you can't run to your problems, you shouldn't be taking on some of those jobs. All right?

You've got to be able to run to your problems in this business. And by the way, if you run to your problem, if you're so thin that when you run to the problem, everything else falls apart, you no longer have your pre-job meetings, you no longer do your job reviews on a timely basis, things like that, those fall apart because you have to run to a single problem, you're too lean, you're out kicking your coverage. All right? So, make sure you have the talent and the support before you take on the work.

A good thing to think about to see where you are is just go through the process and ask yourself, what if? And by the way, this is happening quite a bit in today's employee marketplace. What if all of a sudden you lost your best project manager or your best superintendent unexpectedly?

Maybe it's not that they took another job. It could be a health thing. It could be that they got to go take care of mom three states away because she's in ill health now. But these things happen. So, what does your organization look like if you lost your top person in either of those positions? Is there somebody who could step up? Is there a management person who could step down and get us through that individual job without the rest of the company falling apart? And again, if the answers look really bad, perhaps you're operating beyond your coverage. All right? So, look at that.

Next thing is to create a bad job avoidance and mitigation strategy. Actually, put down in writing, what should we be looking for to avoid in taking on work? And then further, what are the warning signals for if a job goes bad? Such as, okay, well we found out we were 5% low and had a major bust in the estimate? Well, that's a pretty clear one. We know that job's got issues and we have to bring our resources together to see if there's a way to solve those problems, fix those problems even before the project starts, but certainly also as we go along.

So, what are those warning signs that you're looking for? Is it a notice letter from the owner or the architect or the general contractor, depending on where you are in the construction chain? Is it falling behind schedule a certain amount? But what do you do then if you have those warning signs, what's the next action taken? Is it your owner getting out and seeing the job, meeting with your team? Is it having extra meetings? Is it having extra oversight? Is it replacing or supporting further the project team, adding a second superintendent or a third superintendent? What are your mitigation steps that you as a contractor can take and put those down in writing?

And the reason you put those things down in writing is so that you don't forget them. In the heat of battle, we've got so many things going on in our company that we have a problem, and that problem stays a problem for too long before we fix it, and that's really when the disasters happen. If we can identify a problem early, better to avoid it, of course, but identify it early and mitigate it early, we have a much better chance of bringing that in on time or on budget or avoiding a major loss. All right?

And then finally, one last thing about bad jobs. What I found over my 10 years in construction, actually 20 years I guess in construction, is the processes break down before the dollar losses show up. In almost all cases, either because we get stretched, we get over confident, we think our people got this now, we stop doing the little things, we stop having the discipline we talked about in our four-legged stool session last week, and maybe we don't have a good turnover planning meeting for the project instead of having our monthly job reviews, they've gone to every two months or every third month, instead of job site visits by our general superintendent or our senior project managers or our company presidents, those are becoming less frequent. But wherever that process falls, usually when we see bad jobs occurring, it's oftentimes because a process has failed along the way.

So, make sure your processes are strong and do a periodic sort of audit of your processes. Have we loosened up? Have we lost our discipline in those areas? Because that discipline, that really forebodes success, and the lack of discipline forebodes problems coming down the road. So bad job avoidance, so key to successful construction companies. Keep that in mind as you look at your next project and plan your next project.

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