

# Full-Cycle Job Costing:

The key to higher  
profits and sustainable  
business growth



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*Full-Cycle Job Costing is the secret to maintaining and even increasing profits*

## The Challenge

Maintaining business growth and consistent profits is a struggle for any business, but none more so than for companies in the construction industry. However, there are steps contractors can take to increase their profits and grow their businesses – even in challenging economic times. It starts with job costing - the process by which a contractor uses historical data from completed projects to determine their company's ability to perform installations.

Mistakes during a construction project are easy to make, but the silver lining to those mistakes is what we learn from them and how we use that knowledge to improve practices. Knowing exactly how your company performs against estimated labor and materials for a project is key to understanding the impact of budgeted versus actual costs. That is the very definition of job costing.

This White Paper defines the steps of a proven process that, when applied to every project, will return control of the bottom line to contractors. Full-Cycle Job Costing is the secret to maintaining and even increasing profits that support sustainable business growth, no matter what the larger macro-economic conditions may be like.

## The Solution

Due to the intricacies of Full-Cycle Job Costing, it is critical to have a fundamental process in place to execute projects efficiently and consistently from start to finish. A key element to that success is following a process that begins with a detailed, accurate estimate that provides critical job documentation, specifications, and correspondence to project managers, allowing them to make quick and effective decisions during the construction process.



This flow of information from the estimator to the project manager will help save the contractor valuable time by having a comprehensive estimate against which they can measure and track the actual costs of the project.

However, moving information from estimating to project management isn't the only step that will give a contractor the information they need to determine true job costs. There's another key element in the process that, when missing, will cause contractors to fall short on their ability to maintain or increase profits.

## FOUR-STEPS TO FULL-CYCLE JOB COSTING

Full-Cycle Job Costing is a four-step process by which the project manager provides feedback to the estimators with statistics that measure the company's actual ability to perform the work as it was estimated. Those results and statistics are then implemented and used to improve estimating accuracy. Missing this vital step in the project's life cycle is what causes contractors to repeat the same mistakes again and again, jeopardizing valuable profits that support sustainable business growth.

Estimating - Project Management

### STEP 1: Start with a Complete and Comprehensive Estimating Program

The estimate is at the center of Full-Cycle Job Costing. To effectively manage a project, a detailed budget is critical for measuring estimated costs versus the actual costs at any point during the project, and that's what an accurate estimate provides.

A formal estimating system will help produce more accurate and consistent estimates. This is especially critical in today's market when allotted estimating time has become shorter while the projects have become far more detailed. Estimates can be required in almost any breakdown combination of base prices, alternate prices, itemized prices, unit prices, etc. Contractors are faced with less time to complete a detailed estimate that has accounted for cost, schedule, and risk. Today, just getting the estimate completed is a challenge, leaving little — if any — time to properly understand the potential risks on a project. When a project starts to lose money, it is typically because the labor costs have gone over budget.

To mitigate the potential impact of labor costs, the first challenge, as mentioned above, is just having enough time to investigate all potential areas of risk. Getting past the 80/20 rule is a fundamental initial step. An estimator does not want to spend 80 percent of their estimating time working on

tasks that represent only 20 percent of the risk. A comprehensive estimating program lets the estimator quickly and effectively compile a bill of materials (BOMs) and labor costs, which can then free up valuable time to fully address a project's risks, make adjustments for those risks, and to find competitive cost savings through value engineering.

A contractor's ultimate success will be affected by their ability to alleviate the risk on labor, as well as being able to fully verify all project documents, correspondence, and communications. The process of Full-Cycle Job Costing starts with the estimate. Accurate BOMs and labor budgets are the core elements of an estimate, and the documentation that backs up that information is critical, because contractors only get paid for the work they document. BOMs includes labor hours, price breakouts, alternate prices, unit prices, addendums, specifications, project drawings, project documents, change notices, and the list goes on. But, where does a contractor find the time to do all this documentation?

A comprehensive estimating program gives the estimator the ability to generate a more consistent, accurate estimate that includes all critical project information and documentation that can be easily and instantly accessed by any department within the contractor's organization.

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## **STEP 2:** Handing the Estimated Job to Project Management

The next step in Full-Cycle Job Costing is when the estimator hands off the estimate — including all job-related documents and correspondence — to the project manager (PM). That information will give the PM full and complete insight into the estimator's intentions for the project. Transferring the estimate, with all of its documentation, quickly and seamlessly are

submittals, and change orders can also be easily tracked.

Project management software should include tools that are designed specifically to track and compare budgeted costs against actual costs at any point during a project's life cycle. As the project moves forward, the software should have the capability of providing valuable statistics and probabilities based on the project's performance to date. Productivity can be measured against the budget for any installation. The project manager should be able to monitor the impact that productivity is having on the overall project in terms of a projected completion date.

Today's technologies give businesses the tools they need for instant data sharing that results in greater productivity. Field technicians can now submit daily work reports and timecards via any mobile device, eliminating redundant data entry steps and the need to print and physically deliver paper versions of project documents to the office.

Companies that provide Software as a Service (SaaS) offerings allow users to operate in a virtual cloud by giving 24/7 remote access to job files for faster, easier, and more efficient collaboration of project data and personnel between the field and the office.



the keys for successful project management. Accomplishing this transfer has to be easy and efficient. Having an estimating program that seamlessly integrates the estimate with a complete project management system makes this data transfer easy, efficient, and fast — a process that contractors are more likely to embrace in place of manual information exchanges. Project management software automatically tracks the percentage of completion for the project based on a schedule of values and provides accurate information that maximizes the project manager's time while quickly getting the invoice into their customer's hands.

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## **STEP 3:** Use Technology for Complete Project Management and Communication

A complete project management software program lets contractors manage their projects using Gantt charts that are populated with project data based on the breakdowns in an estimate. BOMs are separated by project tasks, ready for the contractor to create and track purchase orders. Labor can be scheduled and project milestones,

*Every contractor is unique in their ability to perform an installation*

#### **STEP 4:** Closing the Loop and Completing the Process for Full-Cycle Job Costing

The project is completed, and it's on to the next one, right? When the project makes money, it's easy to move on without paying close attention to areas that could have been improved upon during the project's life cycle. Comparing the project's performance and final results against the original bid will help a contractor learn from that history and will improve their estimating accuracy. For example, by using historical data from completed projects, full-cycle job costing can tell a contractor that they consistently beat their estimated installation time by a factor of, let's say, 15-

20 percent when running large feeders; or that they might consistently fall behind by a factor of 12 percent when they run branch wiring in a commercial building. Every contractor is unique in their ability to perform an installation. Full-Cycle Job Costing is what helps a contractor know what their own ability and

unique labor factor is for performing work consistently over time. Knowing their company's unique performance benchmarks is what gives contractors a significant advantage when bidding against their competition.

Knowing this detailed information is valuable to any contractor, but the time, effort, and means to compile and correct this information for each project can become time consuming and cumbersome unless there are automated tools in place to streamline the job-costing process. Without proper job costing methods, your business will

continue to make money on some jobs but lose money on others – **a classic roller coaster effect** that negatively impacts the bottom line and significantly stunts business growth.

Feedback from the project manager to the estimator – detailing how the company is performing against their estimated costs – is the last element in the process of full-cycle job costing that is the most critical but is often the most overlooked.

### How ConEst Software Systems Addresses Full-Cycle Job Costing

ConEst Software Systems provides electrical and low voltage contractors with robust and proven estimating (IntelliBid) and project management (JobTrac) software solutions that are designed specifically to address the need for, and complete the process of, Full-Cycle Job Costing.

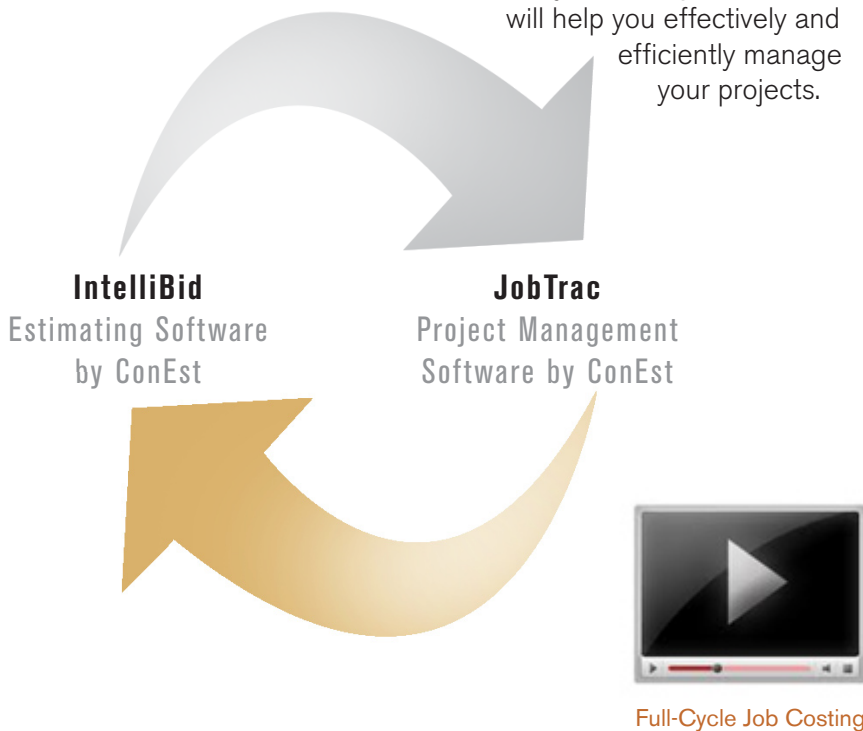
ConEst's JobTrac Project Management software automatically hands back completed project information to the company's IntelliBid Estimating software program, and that information is used to correct and improve existing estimates before they are presented to the customer.



## How Important is Closing This Vital Loop to You as a Contractor?

Each contractor is different, and their ability to perform consistently over time will vary. ConEst has developed an innovative method within its products that performs similar to a scorecard system that allows each contractor to measure their own success based on their jobs and their company's own unique ability to perform. The strong link between estimating and project management is a vital part of the success for any contractor.

Using ConEst IntelliBid will help you generate more accurate, competitive estimates, while employing ConEst JobTrac Project Management software will help you effectively and efficiently manage your projects.



With a seamless integration between these two highly reliable programs, you will have information at your fingertips that will provide you with the historical data you need to know how your company will perform on similar projects in the future.

### CONCLUSION

The key to generating consistent profits that result in sustainable business growth is the comprehensive process of Full-Cycle Job Costing and is accomplished only by completing the communications loop between estimating and project management.

Full-Cycle Job Costing is a time-consuming process, but the innovation found in ConEst IntelliBid and ConEst JobTrac streamline the process for the estimator and project manager giving them the ability to communicate performance and to build historical project data that is used to determine their company's unique ability to perform installation tasks.

Knowing this simple equation will have a profound and positive impact on what matters most to a company's success: steady profits and the accompanying growth of the business.

**For more information, please call 1-800-662-7687, or request an online product demonstration**

# ConEst<sup>®</sup>

## Software Systems

*Exclusive provider of the only fully bi-directional integrated suite of estimating and project management software.*

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