

Hello everybody. Welcome back to Digging Deeper, our podcast as an effort to dig deeper into construction issues that construction professionals and companies are facing across the industry today.

One of the things that's going on today and we're finding is there's more and more jobs going bad than there have been in the recent past and part of this is just the construction industry itself is operating probably beyond capacity. One of the key issues we've found that shows up in these bad jobs is generally speaking, there are scope gaps. When the estimating was done, we simply miss something. Something either wasn't seen or got lost along the way, didn't get included in the contract underneath specific scope, might not have been clear in the drawings, et cetera. How do you avoid these scope gaps?

Well, during our roundtable programs, we come up a lot with a lot of the policies and procedures that we really would call best practices, that keep people out of this ditch of having scope gaps that turn up late in the project and turn into serious problems on the job. The problem isn't so much sometimes the money to fill in the cost of that scope cap. Sometimes it puts you out of sequence and out of timing and then that of course causes additional problems as you go forward. The first best practice that we see out there that companies have to avoid scope gaps is they do have checklists. Keep this in mind, checklists are really maybe the most important thing for any construction company, not just when we're talking about scope gaps, but talking about everything that you do.

The checklist is basically your list of things to make sure that you've gone down that and you haven't left anything out. For every scope you have, you should have a couple of things. One is you should have that standard list of inclusions and exclusions of course, that you have for your scope or for each scope, if you're a general contractor and then, you should have your set of gotchas from the past, right? What are those things that got you on some past job and of course you've got to have a system of accumulating these gotchas so that they get back to estimating and they become part of the culture of your company, that you learn from your mistakes, but make sure you have a good checklist for each division. Make sure that checklist is complete and make sure that you've got a system of recognizing the gotchas and making sure those gotchas don't get you again.

The next thing is, as a sub-contractor, probably the most valuable process we had when we worked with the largest contractors, folks like Turner and Clark and Skanska and folks like that is usually before we actually signed the contract even, we had a complete scope meeting with the project manager and the superintendent and estimator from the construction team of the general contractor. Whichever side of this you're on, what that meeting does is it gives you the opportunity then to sort through the drawing, sort through the scope as you see it, see what you may have missed, see where you may be doubled up and things like that and really try to identify the problems before you go to contract, so that if there is a major problem, again you've planned for it and you've minimized your cost of covering anything that you may have.

Make sure that that meeting occurs and whether you're a subcontractor or a GC, it's really got value on both ends. Make sure you push to have those meetings. The next thing, I remember one of my round table meetings here recently where one of the companies had a terrific year except for that one clunker job and that one clunker job probably cost them three or four million dollars, but basically, brought the company pretty much back to even and in a sense wasted all that other good work. Well, we come back and find out what the problem is later, and the problem is something was missed in the scope and it was something major that was just missed. So, the practice, the best practice that the company had in place,

but didn't occur on that particular job was the second set of eyes. Generally speaking, no estimate should go out of your office without a second set of eyes.

In this case, the person who would have been that second set of eyes was on vacation or doing something normal, but what they failed to do then, I think they were in a hurry and sort of the history of their job reflects that and they pushed it through without the second set of eyes and ended up with a three million dollar sort of spanking for messing up in that case. Another one of those best practices to avoid those scope gate gaps, make sure you have the second set of eyes on every estimate that goes out of your shop. Next thing is clarity about exclusions.

If you're on the general contractor side, subcontractors will give you a proposal, submit a bid and they'll have all of their list of exclusions. Well, when you put out the bid package, you may have qualified already what exclusions are there and what exclusions aren't there. Then, when you send out the contract, of course there's usually that general language where you are responsible for your entire division and whatever's in the specs and the drawings, right? So, whatever those exclusions or inclusions are, it basically comes back to the contract, the drawings and the specs. Your job is to make sure that you don't just put out a set of exclusions and expect that that's going to carry your inclusions and expect that that's going to carry through the job and that's it.

You have to make sure that when it comes contract time that you know, again, depending on which side of the fence you're on, you're very careful about those exclusions because having been in a few mediations and arbitrations and lawsuits myself, oftentimes it comes down to what you thought you included or excluded, what the other side thought they included or excluded. Probably the number one long term success criteria for construction companies is stay out of court. Stay out of court. To do that, make sure you've got clarity about your exclusions.

Thanks again, Dennis Engelbrecht, trying to dig a little deeper.