

# Tracking Performance = Tracking Profitability

BY DENNIS JASINSKI

Mentioning tracking performance on a construction site may elicit eye rolling, while mentioning tracking profitability may elicit interest. However, they are correlated. It is essential for contractors to track labor and equipment performance (estimated vs. actual unit cost, and estimated vs. actual productivity) on construction projects for two reasons:

1. Measuring performance trends on current projects
2. Developing accurate historical unit cost and productivity for future estimating purposes

Tracking performance ensures accountability while providing data for accurately estimating future bids. As management expert Peter Drucker once said, "What gets measured gets improved." The lack of resources to verify, track, input, and analyze the

data can prevent contractors from improving their competitiveness and profitability. Tracking performance becomes even more important when it is used to resolve problems (e.g., delays, disruptions, periods of inefficiency, and cost overruns), pending issues from the onset of work, or disputes.

Contractors should embrace the notion that work activities can and should be tracked and compared against the estimate. Many contractors continue to resist tracking performance despite an array of available technology. Often, even though there may be no debate about the merits of performance tracking, it is difficult to change the contractor's established construction estimating, accounting, and operations processes, which is required to facilitate timely and accurate performance tracking.

## HERE IS HOW TO TRACK PERFORMANCE:

- Adopt a tracking system that works in the office and the field.
  - The project management team must adopt a useful system from the beginning of the project. The system must integrate and align with the project estimate as well as monitor labor and equipment hours against installed quantities consistent with the way the project was estimated.
  - The system should be able to track the location of work by area within the project. This refined tracking can identify productivity improvements or degradation of labor hours by discrete areas that can then be compared against each other.
  - The system should relate to schedule activities. The activities

can incorporate the hours and quantities from the tracking system and provide verifiable, quicker, and more accurate assessments of project cost and schedule status.

- Designate a performance tracker. Generally, job foremen are accountable for recording production data in the field since they are most familiar with the crews. Daily data collection and input is best, as it can provide immediate identification of problematic conditions. The daily tracking of actual hours against installed quantities can be used for upcoming daily planning and schedule updates.

The performance-tracking metrics are used to compare estimated and actual productivity for relevant pay items. This generates timely feedback on the

daily productivity of fieldwork, which can be compared against the project estimate to evaluate performance and profitability. The benefit of tracking labor productivity is the instantaneous knowledge of crews' performance against the bid performance rates. Armed with this knowledge, the project manager can then:

- Make immediate adjustments to processes or field labor if productivity or schedule expectations are not being met; or
- Issue a notice of a changed condition if conditions are beyond the contractor's control.

It is imperative to segregate extra work and nonconforming rework activities into discrete work scopes (e.g., pending change orders, claims, and contentious issues that may result in claims), because a contractor typically acknowledges through a change order that the change is a complete settlement of certain added work, or work it did not anticipate for which it is entitled to additional compensation and/or time. Daily tracking of the location of work being performed can further document and establish disrupted work conditions (if needed) in a changed conditions request.

Tracking performance is not just possible—it can be essential for ensuring profitable work on current and future projects. ◀

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