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Be Right on the Big Stuff (Secrets of Job Costing)

Being ***right*** on the ***big*** cost centers makes being ***wrong*** once in a while on the ***little*** things ***not*** very ***painful***. With this statement, the Concrete Sherpa is sure to raise the neck hairs of the cost accounting purists out there. But let the Sherpa explain: ***Continue >***





A concrete construction project is composed of many costs: nails, form lumber, sand, gravel, string line, concrete, boom pumps, rebar, etc. And it's true that a solid estimating strategy needs to be capable of capturing all of the costs that go into a project.

Often the **concrete and labor** are the main costs
(usually 3-7 times greater than the next tier of costs).

But there are going to be three or maybe four areas that comprise 75 percent of your costs that need to be watched with an eagle eye. Show me a concrete company that is pouring the concrete at or under budget, and is beating the labor bid, and I'll show you a concrete company that is making money.

These companies know *each day* the quantity of concrete each pour should take and they know what labor they should be expending on the job. If they get these two things right (because they often make up 60 percent or more of the cost) they are doing well.

Often the concrete and labor are the main costs (usually 3-7 times greater than the next tier of costs). Then the second tier of costs is the gravel, rebar, form material, hardware, and equipment rental. Finally there are going to be very small items.

So focus daily on the big costs, take a look periodically at how you are doing on the second tier of costs, and once in awhile look at the small stuff.





Listen to the Audio Version of this Guide [here](#) on the Concrete Network.

TIP:

Know each day how you did on concrete for each project. If the job was supposed to take 110 yards- how much did it take? Just by your daily inquiry, your crews will realize the importance, and your concrete pours will start to hit budget and improve. Nobody wants to call the boss and report the job that was supposed to take 110 yards took 131- because the grade was too thick, or the footings were too deep, etc. - you've heard it all, right? Using this system, if the backhoe operator digs the footings too deep you'll start to hear about it before concrete is ever poured- and you can get this problem backhoe operator on track for future jobs, or find a new backhoe operator.

Be Right on the Big Stuff -Real World Example

High Grade Form, Inc. pours residential house slabs in Southern California. They pour an average of 15 house slabs per working day (typically the 5 house slabs are on 3 different sites) and know how much concrete each house should take.

The person who sets up all the concrete pours knows how much concrete each pour should take and keeps track of the estimated to actual. If a 5 house pour goes 6 yards under- great. Don't spend much time thinking about it. But if a 5 house pour goes 10 yards over- they want to know why the concrete was off. At least they know about it that day, feathers get ruffled, and they figure out what happened so it doesn't keep happening.





Without a lot of effort you can get yourself into a situation where you're spending \$10,000 to save \$500. That's a big risk to your company. So strongly consider finding your main two or three cost centers and place extreme focus to make sure you're doing well on that.

Why does this matter? If High Grade Form pours 300 houses in a month and goes 1.5 yards under budget per house, that comes to 450 cubic yards saved. At today's concrete price- that is a chunk of saved money. And this is why you should spend the bulk of your time watching costs on the *costs that matter*. True, your cost on string line might be interesting- but you won't ever save \$36,000 in a month watching your string line expense.

The Alternative to Focusing on the Big Stuff

One concrete contractor got carried away with job costing to the extreme, literally where a truck would come back to the yard with some leftover materials from the job and every piece of lumber would be counted and inventoried (I think this contractor has hired a management consultant).

Huge job cost reports with 100 line items would be printed each month documenting every expense the job had incurred. The reports were so huge, in fact, that nobody ever looked at them or put them to use.

Without a lot of effort you can get yourself into a situation where you're spending \$10,000 to save \$500. That's a big risk to your company. So strongly consider finding your main two or three cost centers and place extreme focus to make sure you're doing well on that. Don't completely ignore the other cost items- instead drop back to a lesser degree on the other stuff once in a while, making sure you've got it right and then roll on with your business. *Focus on the few things that are really going to make a difference to your results.*





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SUMMIT DATE

This document reached the summit (was created) on January 7, 2005 and is based on the best information available to the Sherpa at that time. To check for updates please click here <http://www.ConcreteSherpa.com/bigstuff>.

NAVIGATION & USER TIPS

You can move around this guide by using your mouse or keyboard arrows. Left mouse button goes to the next page, right mouse button goes to previous page. Click on the right arrow (→) for the next page and the left arrow (←) to go the previous page.

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Zoom in (Larger)	[Ctrl] [+]	[⌘] [+]
Zoom out	[Ctrl] [-]	[⌘] [-]
Full screen/normal screen view	[Ctrl] [L]	[⌘] [L]

ABOUT THE CONCRETE SHERPA

The Concrete Sherpa is a team of people that represent the experience, teaching and learning of our team members and other industry leaders *on a mission to make life better for the concrete contractor*. We are an idea center striving to deliver thought provoking ideas based on “Concrete Advice for Business and Life” to stimulate you to reach new heights. As a user, you should remember to consider all information you receive, here at the Concrete Sherpa or elsewhere, not as a *cast in concrete* recommendation, but rather as an idea for you to consider and ponder.





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THE JOURNEY LEADING TO THE CONCRETE SHERPA PROJECT

The Concrete Sherpa Project (A [Sherpa](#) is a “guide”) was born at The Concrete Network in mid 2004. Here is how it happened:

The biggest surprise, or gift, since starting The Concrete Network in 1999 has been the concrete contractor friends from around the country we’ve made and witnessing the passion they have for what they do. These people include Dave Pettigrew, up in the San Francisco Bay Area, or the Verlennich brothers in Minnesota, or Bob Harris in Georgia, the list goes on and on. It’s quite inspiring.

We were once asked, “How are you so excited every day about concrete?” Well the answer is simple, it is impossible to not be excited about concrete when you have the job we do—interacting with hundreds of concrete contractors from every state in the country.

The thing we’ve learned about concrete contractors is that most are passionate *craftsmen*—they are often less passionate and experienced in the “office stuff”. Human nature channels us to do what we are most comfortable with; learning how to use a new saw-cutting tool is comfortable; learning and implementing a new estimating strategy, or job management tool, is not so comfortable.





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THE JOURNEY CONTINUES...

So Sherpa was born to provide FREE and easy to use information on topics many Contractors are not too comfortable with.

- Concrete Sherpa is here to provide help to contractors who are often 'Lone Rangers' and don't have anyone to get solid business advice from.
- Concrete Sherpa is here to provide help for contractors who have to work too hard and too many hours in their business, and one day realize they need to work *on their business, not in their business*.
- Have fun with Concrete Sherpa and go faster towards reaching success than you might have on your own.
- To skeptics who think something free can't be valuable, or there must be a trick- visit Concrete Sherpa and decide for yourself.

We hope you make great use of the Concrete Sherpa and it helps you to become an awesome success for yourself, your family, your church, and your community.

VISIT THE CONCRETE SHERPA

To visit the Concrete Sherpa click here <http://www.ConcreteSherpa.com>.

