

Productivity Audit *Continued from page 3*

Change Orders

43. Evaluate the change order process in place for the following characteristics: Is a process in place by which the project team can anticipate change orders for various types of work? Is there an early detection process? Is there a regimented and well-communicated follow-up process of documentation and notification?

44. Are there controls in place to make sure that changed and added work performed will be compensated by the project owner?

45. Is there a consistent process in place for costing change order work to include keeping track of the cost of preparing the change order, recognizing the possible impact on base productivity, and recognizing possible schedule impact leading to added general condition costs and company overhead costs?

46. Are schedules rerun and updated when change orders occur to determine the time impact; are these possible time impacts included in the change order request?

Innovation

47. Is a "defect" program in place whereby the firm is emphasizing the improvement of an identified project defect is there evidence that the program is being used and communicated to workers?

48. Is a "best practice" program for productivity improvement being implemented?

49. Is "measurement" being used by the supervisors to identify potential for productivity improvement? For example, the supervisor measures productivity from one hour to the next for an important or vital work task with the objective of investigating the causes of productivity differences.

50. Is there a "vital few, versus useful many" program in place such that supervisors prioritize their work tasks and assignments, and different controls systems are put in place for different work tasks depending on the cost, risk, schedule, and uniqueness of the work?

51. Evaluate the project for the use of new technology to improve productivity. The new technology should be used along with new procedures and new data collection to enhance productivity increases. It should not be used simply to collect inaccurate data quicker that this only ensures bad decisions are made faster.

The review and evaluation of innovation and creativity being used at the job site is an especially important component of the job site review. In an industry that continues to show evidence of a lack of significant increases in productivity, one should not merely adhere to established practices. Implementing new ideas may be the means of preventing last year's inefficiencies from

becoming next year's target. Both *EXPERIENCE* and *INNOVATION* are needed to increase construction productivity.

James J. Adrian, Ph.D., PE, CPA, is a Professor of Civil Engineering & Construction at Bradley University in Peoria, IL. Dr. Adrian is a nationally recognized expert in construction productivity and featured exclusively in each issue of PROductivity. For more information on Dr. Adrian's research, contact your McCrory & McDowell representative.

Preparedness *Continued from page 3*

Answering "no" to any of these questions can lead to waste, frustration, and confusion. If you're looking to grow the organization but find yourself less prepared than you thought, don't hesitate to rely on a strategic management professional who can help you build a plan that works. Even the most experienced pilot never departs on a journey without a flight plan... you shouldn't either!

Thomas W. Lusk, Ph.D., AVA, CPM, is a Principal with McCrory & McDowell and one of the Firm's leading experts on strategic and operational management. For more information on this topic or other management issues, contact him at 412.281.9690 or tlusk@mccmcd.com.



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The Winds of Change

So Which Direction Are They Headed?

Increases in oil prices and the cost of materials, declines in the housing market, recent fluctuations in the stock market, labor shortages... these are all real issues that regional contractors and manufacturers are being forced to consider when fulfilling terms of existing contracts and planning and estimating costs for new work. There are also other issues that have lead many economists to suggest that we are headed for a recession in the near future. *Is it reality or just the media running rampant with stories of gloom and doom?*

While it's difficult to predict what the future holds, we believe one thing is certain – **companies that take a proactive approach to plan for what's ahead will be in a better position to address issues as they arise than those companies that do not.**

What can you do to protect your business? Join us for the 2008 McCrory & McDowell PROductivity Symposium, "**Recession in the Wind... FACT or FICTION? Being Proactive in Uncertain Times,**" on Monday, January 21 at the Duquesne Club in downtown Pittsburgh.

Meet and interact with industry leaders, including Kenneth D. Simonson, Chief Economist for Associated General Contractors of America, based in Arlington, VA, to understand how the "big picture" continues to change and what significant challenges we

will be facing in the years ahead. Learn firsthand from a panel of regional experts how businesses will need to adapt in Western Pennsylvania and surrounding communities to meet those challenges, and enjoy time in one of the breakout sessions where you'll find great ideas that will help to create a proactive approach to whatever the economic winds blow your way.

To say that times are uncertain is simply stating the obvious. Here's a way to learn what you can, and should, be doing now, along with the key focus factors needed to ensure that you and your organization will make good, educated decisions as you move into the future.

Mark your calendar today and watch for more information, or contact your McCrory & McDowell representative. We'll see you on January 21, 2008!

Thomas W. Walenchok, CPA, is a Principal with McCrory & McDowell and a member of the construction practice team specializing in accounting and tax issues. For more information on this topic or other issues,

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Up Close and Personal

JOHN M. SVEDA

In 2007, John Sveda celebrated two significant milestones – his 20-year anniversary with McCrory & McDowell and being the recipient of the prestigious Certified Construction Industry Financial Professional (CCIFP) designation awarded by the Institute of Certified Construction Industry Financial Professionals, based in Princeton, N.J.

John now joins an elite group of just over 400 professionals nationwide, and only 39 in the state of Pennsylvania, who have completed the rigorous credentialing process. The CCIFP is the only recognized standard for the construction finance profession, awarded to those individuals who have mastered the specialized financial knowledge required in the construction industry. It has been endorsed by such leading industry organizations as the American Subcontractors Association (ASA), National Association of Surety Bond Producers (NASBP), and the International Risk Management Institute (IRMI).

Juggling multiple projects is almost second nature for this father of two young children who spends a typical day with a variety of clients, helping them solve accounting and tax issues. As a principal and shareholder, John's area of expertise includes mergers and acquisitions, succession planning, implementation of accounting systems, and financial projections. In addition, he assists clients in developing bonding and banking relationships.

John's commitment doesn't stop at the end of the business day. In addition to spending time with his wife Allyson and their boys, he manages to stay active in the community through his involvement as Vice President of the Construction Financial Management Association, Treasurer for Family Guidance, Inc., Treasurer of Boy Scouts of America Pack 179, and the Notre Dame Club of Pittsburgh, where he is a Past President.

WORDS OF WISDOM

Testing the Organization's Preparedness for Growth

It's common to have an organization talk about their plans for growth. However, many don't do their homework before embarking on this journey and, regrettably, can find the road to successful growth a bumpy ride. How do you know if your organization is prepared for growth? Test yourself!

This seven-point test aids in minimizing the waste that occurs from strategic initiative and project false starts. The test also allows for the organization to discover potential problems associated with the implementation of a strategic objective or project before implementing it.

When potential shortcomings have been identified, your organization can take remedial actions to greatly increase the initiative's potential for success. The seven questions are:

1. Does the organization have the entrepreneurial spirit (initiative champion) to implement the initiative?

2. Does the organization have the managerial skills (project management skills) to implement the initiative?
3. Will the initiative result in operational economies of scale (operational synergies)?
4. Will the initiative result in technological economies of scale (accurate and timely information)?
5. Can the organization finance the initiative (cash flow)?
6. Does the organization have a culture of continuous process improvement (the continual attempt to eliminate waste)?
7. Does the initiative result in the organization's diversification of its service or product lines into areas where it can specialize in activities that create sustainable competitive advantages for the future (complete orientation to the customers' definition of value)?

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Here We Grow....Again!

In August 2007, McCrory & McDowell welcomed the addition of 12 professionals from another regional CPA firm to the family, including three principals who have close ties to the construction community. This expansion will help position McCrory & McDowell's construction team to provide additional depth and expertise, in addition to offering more options for specialty consulting. We're pleased to introduce them to you here.



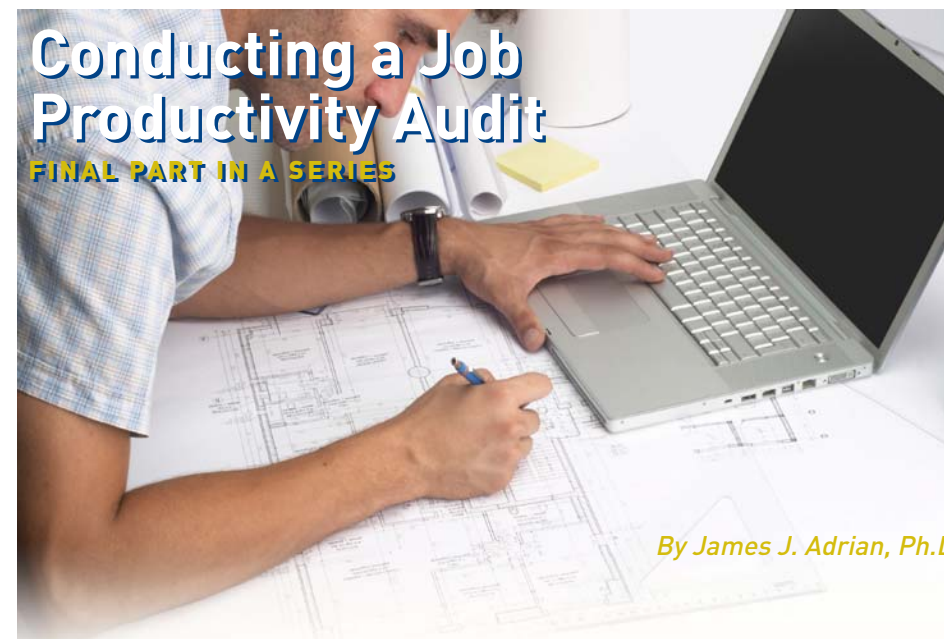
Thomas W. Lusk, Ph.D., AVA, CPM, provides specialty consulting in several areas, including strategic development and operations, business valuations, project management, and manufacturing. Most recently, he was a principal with a Johnstown CPA firm. He holds degrees from the University of Pittsburgh and Duquesne University, and received his Ph.D. in Organizational Management – Manufacturing from Capella University.



Kevin P. McQuillan, CPA, has over 20 years of experience in public accounting, including positions with both national and regional firms, where he was most recently a principal and director of the firm's construction and manufacturing practice. A graduate of Duquesne University, his areas of expertise also include manufacturing, business consulting, and operational analysis.



Krista M. Salera, CPA, is the former partner in charge of accounting and auditing for the Pittsburgh office of a regional firm based in Johnstown. She has almost 20 years experience in public accounting, serving a range of clients and industries such as construction, manufacturing, and nonprofit organizations, and received her degree from Pennsylvania State University.



Conducting a Job Productivity Audit

FINAL PART IN A SERIES

By James J. Adrian, Ph.D.

In the last issue of PROductivity, we reviewed several key elements to a job productivity audit, including job layout, staffing, pre-planning and labor productivity. In this issue, we'll bring the discussion full circle so you are ready and able to create a job productivity audit designed to meet your specific needs.

Equipment Productivity

21. Determine the system in place for tracking equipment usage at the job site; establish if there are steps in place to determine hours of use, hours of standby, and idle hours relative to a budget.

22. Take random observation of select equipment to determine representative percentage of time equipment is in the following work states:

- Placing finish materials
- Necessary support activities
- Justified standby
- Down time for maintenance
- Idle and non-productive

23. Observe start and end of work days as to use of equipment. Is the work day scheduled and the equipment aligned to maximize its use and also to support craft labor?

24. When two types of equipment are working together, is there a match or balance between the two types of equipment that reflects their respective costs per hour and how often one is idle at the expense of the other?

25. Is the equipment managed as a company asset or a job asset? Is the supervisor aware of the needs of other jobs as to equipment?

Scheduling

26. What is the process for handing off the estimate to the foreman to establish job site productivity goals?

27. Is a daily plan established for work to be achieved per crew, what tools are needed, what equipment is needed, what pre-actions must take place, what material is needed, and what labor is needed?

28. Is there a formal process for monitoring and analysis of what was planned and what actually happened for each day in regard to productivity?

29. Is a several week look-ahead scheduling process used to identify actions that must be taken to accommodate productivity weeks ahead?

30. What measures are taken to require the subcontractors to prepare daily and look-ahead schedules?

31. Determine the process by which the master project schedule is prepared, monitored, and updated.

32. Determine how the schedule is used to forecast and manage needed labor and equipment resources.

33. Determine actions taken to use the master schedule to make things happen rather than merely planning things.

34. Evaluate how milestone dates are incorporated into the schedule and communicated to the supervisors.

35. Determine the visibility of the schedule in and out of the trailer.

Job Controls and Reporting

36. Evaluate the job cost system for the following elements:

- Frequency.
- Accuracy of productivity measured.
- Comparison to estimate.
- How is a potential problem detected?
- Is there a formalized process for reacting to an overrun or problem?

37. Is there a different process in place for tracking the productivity of important or vital work being performed (high cost, critical on the schedule, subject to productivity risk, and unique work) versus common or useful work tasks?

38. Is the firm monitoring and reporting on productivity variation from one time period to the next such that causes for the variation can be studied as a means for improvement?

39. Is the controls process tied to the estimate and scheduling process?

40. Determine the process being used to monitor the productivity and schedule performance of subcontractors.

41. Determine the process by which project performance is being communicated to craft workers.

42. Determine the effectiveness of the control system to identify a labor or equipment overrun as being a fixable or non-fixable issue; is it timely?

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