



# Your Guide TO DOING BUSINESS WITH West Virginia Department of Transportation



Volume 39, April 2020

## 9 TIPS TO MAXIMIZE YOUR COMPANY'S PROFIT POTENTIAL *How paying attention to the pennies will lead you to success*

Most construction companies only make 2% to 4% net profit after paying job costs and fixed expenses. The little things you don't think about can add up to an additional 1%, 2% or even 5% more profit at the end of the year. This additional amount can be the difference between struggling and running a successful business. You don't make money building things or doing great work. You make money by knowing what it actually costs to run your construction company and what to charge for labor, equipment, materials, subcontractors and overhead. Below, find nine tips for making the most of your company's profit potential.

### 1. Get An Accurate Labor Burden Rate

Most construction companies don't use accurate labor rates when calculating their crew bid rates. Every year, tax, unemployment, social security, and workers' compensation rates change. Plus, as your employees get older and their situations change, their health insurance rates will also change. Don't forget to factor in the overtime used versus anticipated in your bids. Good estimating starts with accurate labor rates—so have your accounting manager figure out exactly what the accurate rate is for every field employee. You'll find that your labor burden rate can vary by as much as 20% or more for each employee.

### 2. Calculate Equipment Costs

Calculate the exact cost for every piece of equipment you own factored by the annual utilization to determine the right rate to charge. For each piece of equipment, add the purchase price, interest, depreciation, maintenance, gas and oil, service, tires, repairs, insurance, storage rent, and mobilization costs you really spend across the life of the equipment. Divide this total cost by the total number of hours you hope to bill, utilize and charge for the equipment over that duration. This is your real cost of ownership per hour, not including overhead and profit. Next, compare this cost with the price of renting it. Get rid of all the equipment that costs you more money to own than you'll get back from your projects.

### 3. Maximize Change Order Pricing

Determine what rates you want to charge on each job based on what the allowable or highest fair and competitive rate is in your area that your clients will tolerate. Present your proposed rates to your customer to make sure you are on the same page before you begin any extra work. Are small tools and equipment free, or do you charge for them in your change orders? To maximize your change order pricing, always include these additional items required to perform extra field work.

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### About The WVDOT

The goal of the DBE Supportive Services Program is to increase the number of DBEs participating on WVDOT contracts and facilitate the opportunity for DBEs to obtain contracts. The services are designed to:

- Assist established construction firms to move them from bidding as a subcontractor to bidding as a Prime Contractor to produce sound bids.
- Provide access to training increases DBE expertise in handling of daily business operations.



### About The Program

The Construction Estimating Institute (CEI) works with WVDOT as the statewide provider of the federally funded Disadvantaged Business Enterprises (DBE) Supportive Services Program. We want to increase the number of certified DBEs participating in highway and bridge construction, as well as assist DBEs in growing and eventually becoming self-sufficient. Additionally, CEI provides supportive services by assisting prime contractors and consultants with identifying DBEs for subcontracting opportunities on priority projects.

# WEATHERING AN UNEXPECTED STORM: COVID-19

So, we have to plan for something no one has planned for. The Coronavirus Pandemic is affecting everyday life as we know it. The first thing we must realize; the pandemic is here, and we will need to address it and the effect it will have on our family and business. As a business owner, you will have to deal with stress on many levels, in different forms and from different people. There are several steps that we suggest thinking about during this difficult time.

## Step One:

Make sure you and your family are taking all the necessary measures prescribed to stay healthy. Remember that family is important and once they are safe, we can think about our business with a clearer thought process.

## Step Two:

Try to understand the stress that everyone is dealing with and know that not everyone handles stress the same way. As business owners, we can sometimes make the comment to an employee “you don’t know how much stress I have, I have to meet payroll every week and all you have to do is show up for work.” That employee may have just as much stress or more than you, and their stress is as real to them as yours is to you, just in a different form. Great example, a lawyer who’s admin is typing a 400 page brief for him that needs to be done by noon for a court case at 1 pm has no other

options but to get it done, where the Lawyer can call and postpone the case if he wanted to. Who is under more stress? Remember you are the leader, now is the time to shine.

## Step Three:

Have a game plan, and don’t wait until the last minute. Although, you may think it is too late to create a plan, it is not. The longer you wait implement a plan, the more difficult it becomes, and you will still need to develop a plan in the long run. If you haven’t developed a plan, start one. Here are several points to consider when developing an effective action plan:

- Involve your employees, they typically know your business the best.
- Clear lines of communication; establish who calls who, when and for what.
- Assess current and future supply needs, based against workload and projects.
- Utilize all digital tools available and work out the bugs beforehand if possible.
- Evaluate ongoing financial obligations.
- Understand your insurance coverage (call your agent).
- Communicate Transparency to all.
- Define expectations.
- Most business owners treat their business like their baby.
- This is a big one, understand it is YOUR business (if it has to be, it’s up to me).

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## Supportive Services Offered:

- Estimating Training
- Building Capacity
- Mobilization Financing
- Bonding Assistance
- Marketing Plan Development
- Creating a Business Plan
- Building a Website
- Plan Reading



Within the past 3 months,  
CEI assisted DBEs  
in obtaining

**\$6 MILLION  
IN BONDING!!**

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CEI is an educational organization providing the highest quality construction training in the industry. Over 100,000 owners, estimators, project managers, field supervisors, office support staff, foremen, laborers, and key management personnel have attended courses that are offered nationwide. The courses provide students with construction skills training and the critical information needed to be effective within their companies and organizations.