

7 Recommendations To Help You Deal With Inefficiency On Your Project

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March 2017

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7 Recommendations To Help You Deal With INEFFICIENCY On Your Project

By [Mark Nagata](#)

If we acknowledge the fact that we're seeing more claims for inefficiency or more claims with an inefficiency component, there has to be something that both owners and contractors can do to protect themselves. There is. Here are seven recommendations to help you track, evaluate, and resolve inefficiency issues on your projects.

Establish Standard Processes

You have to find a way to properly track both the work completed and the resources expended to complete that work, in order to perform a productivity or inefficiency analysis either during the project or after the fact.

How Do We Do That?

Well, we have to establish a standard process for recording a variety of information including:

1. Tracking the quantity of work completed per operation. (For instance, take the time to specifically track the work completed per operation on a daily basis.)
2. Tracking the actual labor and equipment hours per operation. (Actual labor and equipment hours are tracked on nearly every project; however, assigning those expended hours to a specific operation is often the key missing piece of information.)
3. Recording when the impacts occur and how those impacts affect the work.

Make Sure It's Written Down!

Another point we have to remember is that “if it wasn’t written down, it didn’t happen.” If you run into any issues, problems, or impacts during the course of the project, you should record that either in a daily report, a diary, an email, or a memo to the other side.

Be Proactive

Discuss the impacts and issues as they arise, or even before they begin to affect the project. This point is applicable to both owners and contractors. Contractors are typically pretty good at identifying when an issue arises. They seek resolution because it gives them the opportunity to put the ball in the owner’s court. Plus, there are typically notice requirements explicitly identified in the contract that requires the contractor to provide the owner with immediate, written notification of an issue or impact.

Then, owners have to take those notifications seriously, which involves seeking resolution of the issue as quickly as possible to minimize the possible effects of the issue or impact.

Issues that are identified and addressed early are always much cheaper to resolve and wrap up than if they are left to fester. If left to fester, the problems compound: each side digs themselves deeper into their position. The unresolved impact often begins to affect other parts of the project and resolving the issues becomes more expensive and difficult.

Always Look At Entitlement and Impact First

When evaluating a claim, whether it’s an inefficiency claim, or any type of change, begin by addressing entitlement first.

By familiarizing yourself with the contract and establishing whether or not it provides a vehicle for the contractor to request additional compensation for a change, the question of entitlement can be answered before performing an analysis or measurement of alleged inefficiencies.

After establishing that the contract provides an avenue for the contractor to request additional compensation for the issue or impact it alleges, the contractor must then establish a direct relationship between the change and affected work operation.

Remember, we should only begin calculating the damages resulting from an alleged issue after the contractor has demonstrated its entitlement to the issue or impact in accordance with the contract and that its operation was, in fact, impacted by the alleged issue.

Try To Use The Measured Mile First

Always attempt to use the measured mile method to quantify lost productivity. I often see instances where a contractor or an analyst says there was not an impacted period on their

project. I'm not going to say that doesn't happen. But more often than not, an unimpacted period of measure can be found on the subject project. The goal is to use that period of time in the analysis.

Most analysts know that the measured mile is the preferred method. I would also say, just because a productivity analysis is called a measured mile analysis, don't automatically believe it is. Dig into the details. Understand exactly what information the contractor is relying on to perform its calculations and verify that the information is accurate. I've evaluated a number of different claims with inefficiency components and often the contractor or analyst calls their calculations "measured mile" analyses when it really wasn't.

For example, I've seen instances when contractors have attempted to calculate lost productivity by comparing the operation's actual costs to its estimated costs. As discussed above, by using estimated costs from its bid and actual costs to measure lost productivity, contractors introduce additional factors or variables that can affect the accuracy of the analysis results.

When an analyst or contractor claims to perform a measured mile analysis, we always have to ensure that they're measuring productivity by comparing the work completed by the resources expended to complete that work.

If You Can't Use The Measured Mile, Go In the Order I Suggested

We talked about the measured mile analysis as the preferred method for quantifying inefficiency. Next in line, if we can't do the measured mile, is the comparison of the achieved productivity to other projects.

If we can't use the measured mile or other productivity from other projects, then compare the actual productivity to the bid. But be careful, the biggest hurdle that a contractor has to overcome when using the bid as the basis of measurement of inefficiency is that it has to demonstrate that the planned rates of productivity in the bid were reasonable and achievable.

Lastly, we also talked about the use of experts or published industry standards. In most cases, those approaches alone do not convincingly demonstrate the impact. If experts are just opining without looking at the available documents, it's not really useful. And in most cases, those initial standards are used to forward-price work that hasn't been completed.

Then, once you've been able to determine additional labor and equipment hours expended during the impacted period that were attributable to the change or alleged change, you calculate the costs of those additional hours, which represent your damages.

Question Everything

Last but not least, question every submission that comes across your desk. Question even when you're preparing it and question it when evaluating it. For contractors, make sure that your submission makes sense, that your submission is supportable, and that it puts you in the best position to negotiate and arrive at a settlement that's favorable to you. And, similarly for owners, question everything. Test even the obvious. Be prepared to dig into the details. Truly understand the calculation the contractor is using as the basis of its cost. In a lot of cases, there is analysis of productivity and it's really just a calculation of additional costs. The key is understanding the difference.

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