

Course to help contractors

PRICE FOR PROFIT

One of the biggest challenges the industry faces is that too many contractors do not have the skills for sound financial control and planning, thus rendering them less resilient in the long run. The Master Builders Association North (MBA North) has developed a two-day course aimed at providing all members of the construction industry with the know-how to quote correctly, and to ensure that the work they do is profitable, says Phumzile Ngcobo, Education and Training Manager at MBA North.



“It’s vital that contractors understand not only how to price their quotes correctly but also how to manage their cash flows over the course of the project,” she says. “The course is designed to empower them to do so, and ultimately create a stronger, more resilient industry.”

Ngcobo says that the course runs over two days and has been designed to be highly practical, providing attendees with the opportunity to use actual examples to put the theory into practice.

Eric Ohemeng, subject matter expert and PhD student in Civil Engineering Science at the University of Johannesburg, who helped develop the course material and facilitates the course, says that construction is a complex industry and it’s vital that anyone involved in it has a clear understanding how it works in order to ensure that he or she is able to realise a fair return.

“Everything begins with the architectural plans. Contractors need to know how to read the plan in order to extract the detailed information about the various activities with which they will be involved. They are then able to make the first, vital calculation relating the quantity of work they will need to execute during the contract period,” he says.

Thereafter, the contractor can use the measurements to begin the process of calculating costs, including labour, materials, plant and preliminaries like water or toilet facilities on site.

Armed with this kind of information, the contractor is now in a position to engage with the bill of quantities produced by the project’s quantity surveyor. Critically, it is now possible to collaborate with the quantity surveyor to refine the bill of quantities’ assumptions in line with the contractor’s own figures.

For example, the quantity surveyor hired by the contractor may assume a bricklayer lays 450 bricks a day, whereas the contractor knows that his bricklayers lay 400. Without this collaborative effort, contractors can find themselves facing a built-in disadvantage.

“Another area that can be optimised by pricing correctly is finance. If a contractor understands both the costs and how the payments work, he is in a position to understand the impact of cash flow on profitability, and is thus able to optimise how he finances the work – so many contractors end up paying for finance they don’t need or find themselves in a cash flow crunch during the project,” Ohemeng explains.

“This knowledge also empowers the contractor to take strategic decisions such as whether to employ more workers to complete an activity more quickly than envisaged in the bill of quantities in order to realise payments quicker if it makes financial sense to do so. This course has the potential to change the dynamics of the construction industry by empowering everybody in it.” ■