



# Why Contractors Lose Money on Commercial Projects

## The 7 Mistakes That Cost You the Most — And How to Fix Them

After 20+ years managing commercial construction projects — from entry-level field work to overseeing a \$200M library project — I have seen the same mistakes cost contractors thousands of dollars over and over again. Not because they are bad contractors. Because nobody taught them how commercial construction actually works. This guide gives you the 7 most expensive mistakes I have seen, and exactly what to do about each one.

### Conroy Parchment

Founder, CPJ Enterprise, LLC

20+ Years Commercial Construction | Construction Manager, \$200M Projects

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**START STRONG. STAY PROTECTED. GET PAID.**

A Free Field Guide from CPJ Enterprise, LLC

## 1

### Not Submitting Change Orders in Writing

This is the single most expensive mistake in commercial construction. A foreman gets a verbal directive from the GC superintendent to add scope, does the work, and assumes it will be compensated. It never is. In commercial construction, if it is not in writing it does not exist. The contract will say so explicitly. Every change to scope, schedule, or cost must be submitted as a written Change Order Request before the work is performed — or you are doing it for free. I have seen contractors lose \$30,000, \$50,000, even six figures on a single project because they trusted a handshake. The GC's job is to manage cost. Yours is to protect your margin.

**CPJ TOOL:** Change Order Request Template + Change Order Log — available at [cpjenterprise.com](http://cpjenterprise.com)

## 2

### Poor Daily Field Documentation

Your daily field report is not just paperwork — it is your legal record of the project. When a dispute arises (and on commercial projects, disputes arise), the contractor with the best documentation wins. A properly completed daily field report records manpower, weather, work performed, visitors, inspections, and issues — every single day. It documents delays caused by others. It records verbal directives. It notes when you were told to stop work, and when you were told to proceed. Contractors who skip daily reports lose disputes they should win because they cannot prove what happened on site.

**CPJ TOOL:** Daily Field Report Template — available at [cpjenterprise.com](http://cpjenterprise.com)

## 3

### Ordering Material Before Submittal Approval

You found a great price on material. The schedule is tight. You order it before the submittal comes back from the architect. The submittal gets rejected. Now you own \$12,000 in material that cannot be used on this project. This happens constantly on commercial jobs. The rule is simple: never order material until the submittal is approved in writing. The lead time pressure is real, but it does not override the contract. Track your submittals, know your lead times, and plan your procurement schedule accordingly. The Material Tracking Log exists specifically to prevent this.

**CPJ TOOL:** Material Tracking Log — available at [cpjenterprise.com](http://cpjenterprise.com)

### 4 Ignoring Schedule Impact on RFIs

When you submit a Request for Information and the response is delayed, you may have a legitimate claim for a time extension — but only if you document it. Most contractors submit the RFI, wait for the answer, and move on. They never connect the delay to a schedule impact. Thirty days later when the GC is asking why the project is behind, there is no documented paper trail showing the RFI delay was the cause. Every RFI you submit should note whether it has schedule impact. If it does, that note becomes the foundation of a time extension claim or a change order for delay damages. An unanswered RFI sitting open for 21 days on a critical path item is a project event — treat it like one.

**CPJ TOOL:** RFI Template + RFI Log — available at [cpjenterprise.com](http://cpjenterprise.com)

### 5 Using Residential Markup on Commercial Work

Residential contractors moving into commercial work almost always underprice their first few jobs. The work looks similar. The markup they use at home — 15%, maybe 20% — feels safe. It is not. Commercial projects have longer payment cycles, higher insurance and bonding requirements, more complex contract terms, certified payroll obligations, more rework and inspection requirements, and administrative costs that residential work does not have. Your overhead in commercial is higher. Your risk is higher. Your cash flow gap is longer. A 15% markup that works on a kitchen remodel will bankrupt you on a \$500,000 commercial subcontract if you have not accounted for all of those factors. Know your numbers before you bid.

**CPJ TOOL:** Estimate vs. Actual Tracking Log — available at [cpjenterprise.com](http://cpjenterprise.com)

### 6 Not Tracking Estimate vs. Actual During the Job

Most contractors do one of two things: they check the numbers at the end and discover they lost money, or they never check at all and hope for the best. Neither is a business strategy. The only way to protect your margin on a commercial project is to track actual cost against your estimate in real time — line item by line item. When labor on a scope item runs 15% over estimate at 30% completion, you have a problem that compounds every week you do not address it. Catching it at 30% gives you a chance to recover. Catching it at 100% means you absorb the loss. Your estimate is your budget. Treat it like one.

**CPJ TOOL:** Estimate vs. Actual Tracking Log — available at [cpjenterprise.com](http://cpjenterprise.com)

## 7 Signing Contracts Without Reading the Flow-Down Clauses

Flow-down clauses in a subcontract bind you to the same terms the GC agreed to with the owner — even if you never saw the prime contract. That means pay-when-paid provisions that let the GC delay your payment indefinitely. Indemnification clauses that make you responsible for things outside your scope. Notice requirements that void your right to a change order if you miss a deadline by one day. Liquidated damages that come out of your final payment if the project runs late — even when the delay was not your fault. Commercial contracts are written to protect the owner and the GC. Nobody is protecting you except you. Read every contract before you sign it. Flag every clause that shifts risk to you. If you do not understand what you are signing, the cost of a one-hour consultation is a fraction of what a bad contract clause will cost you.

**CPJ TOOL:** CPJ Consultation Services — [cpjenterprise.com](http://cpjenterprise.com)

**THE BOTTOM LINE**  
Every one of these mistakes is preventable. They happen because commercial construction has rules that residential work does not — and most contractors learn them the hard way, on their own dime. The right documentation, the right templates, and the right systems protect your money and your business on every job.

### GET THE TOOLS THAT PREVENT THESE MISTAKES

The CPJ Contractor Success Pack gives you professionally built, field-tested templates for every situation covered in this guide — available now at [cpjenterprise.com](http://cpjenterprise.com).

<b>Business Setup Kit</b> <del>\$147</del> Look and operate like a real commercial contractor from day one <b>COMING SOON</b>	<b>Estimating &amp; Bidding Kit</b> <del>\$97</del> Price commercial work accurately and win more bids <b>COMING SOON</b>	<b>Project Management Essentials</b> <del>\$247</del> Everything to run a commercial job from start to finish <b>COMING SOON</b>	<b>Financial Controls Kit</b> <del>\$197</del> Protect your margin and track every dollar on every job <b>COMING SOON</b>	<b>Field Operations Kit</b> <del>\$127</del> Tools your superintendent or foreman needs every single day <b>COMING SOON</b>
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### CPJ CONSULTATION SERVICES

Need hands-on help? CPJ offers owner representation, strategic oversight, and consultation services for contractors and project owners. Visit [cpjenterprise.com](http://cpjenterprise.com) to learn more.