



# **7 Mistakes To Avoid When Planning Construction Project Management**

**Driving Profitability While Minimizing Risks**

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## Introduction

Construction is one of the most significant aspects of our day to day lives. The growing need for infrastructure has made it a global industry worth billions. However, the rising demand for real estate and commercial skyscrapers has paved the way for greater competition. Since most contractors try to run ahead of their counterparts, it has increased the tendency for risks with greater goals to achieve.

As a result, the industry is facing frequent bankruptcy and business failure which is likely to happen when construction firms have a large number of subcontractors and project activities to manage.

Since the demand for construction services is directly adding to the value of the global construction industry, it has become more crucial to keep things in order through efficient project management. Because if there is one thing that will hinder the construction companies and contractors from following the path of progressive growth, it is poor project management.

Most of the time this happens because of some common mistakes that project managers and other field teams tend to make. Though advanced **construction project management software** makes it easier to manage project tasks and operations, the process to make project management easy requires the contractors to avoid certain mistakes that can result in business loss.

In this whitepaper, we will be highlighting 7 of the most common, yet lethal, mistakes that could cause massive business and revenue loss to the contractors. Moreover, we will share all the practices and solutions that could help avoid those mistakes for greater efficiency and business productivity.

## Lack of Documentation

### The Problem

If there is anything that can define the viability of a project, it is strong and reliable paperwork. Keeping all the project tasks in the documents makes it easier to achieve planned goals. Most of the time construction firms struggle with piles of documents generated from different activities which may cause operational distress. In other words, the inability to keep data organized and available to the right resources makes it difficult to ensure deliverables on time.

Since 20 percent of the expenses made on a construction project are due to rework, the over-budget issues are born out of insufficient coordination, quality issues, lack of training, material shortage, and of course documentation issues.

However, the most astonishing fact is that out of all of the issues listed above, it is the documentation issues that account for 55 percent of rework circumstances!

### The Solution

Since the construction business relies heavily on multi-tasking, contractors and subcontractors must have a more refined approach to the documentation of tasks. Whether it is change orders, contracts, purchase orders, or inspection checklists, the contractors must ensure that site workers and project managers should have access to the most updated data.

Since this requires extensive sharing and privacy control, using project management construction software could be the assistance needed for providing effective document management. Some of the other steps that can be taken to improve the document tracking and project management process include:



- Centralization of data to avoid any duplicity or lack or updated information. This would require the project managers, supervisors, and subcontractors to avoid the exchange of information through email, Dropbox, or other document sharing options.
- Aside from this, data must be stored in a sorted format for making it easier for ground as well as office staff to access the required data.
- The project managers should ensure that regular data audit must be made to update any important information while removing any unwanted information.

Following these practices with reliable project management software in construction could help prevent rework while giving access to organized and updated data.



# Labor Insufficiency

## The Problem

The second most consistent and significant challenge that the construction industry is facing is related to labor resources. As per the statistics shared by AGC, close to 79 percent of construction firms are facing labor insufficiency. On the other hand, most of the managers have shared their concern on the hiring of craft labor i.e. labor that has specialized abilities to perform certain tasks on site.

Since labor issues have become a constant challenge for the contractors and subcontractors, the pressure that they have for driving productivity could be bothersome for the existing workforce. The use of software technology such as **Microsoft Dynamics 365 Business Central** has somewhat improved the situation, the dependency that project managers have on labor could get overwhelming at times and may cut the productivity benchmarks.

Aside from this, another reason that may cause significant loss to labor productivity is the aspiring demands of the project owners. Most project owners are likely to make changes to the existing project plan and still push to get the deliveries out without any extension on time. In such scenarios, the unexpected changes are the reason behind labor insufficiency.

## The Solution

### Extended Working Hours

Construction projects often demand extended working hours. However, it should completely be the responsibility of project managers to ensure that their workforce must not go through any physical or mental trauma while working during additional hours. Also, no overtime schedules must be designed during holidays as it may lead to a significant rise in the construction costs with a reduction of operational productivity.

## **Avoid Labor Congestion**

Another step that project managers could take to avoid loss of productivity is preventing labor congestion at the site. Such situations occur when a large number of laborers, all with different crafts, are assigned to work at a common site. As such arrangements may hinder the full operational efficiency of any particular class of workforce, scheduling labor tasks could help avoid any loss of productivity.

## **Poor Material Supply**

When it comes to labor insufficiency, the lack of material available on the site could cause the delay. The inability to check the service and support with logistics may cause delayed deliveries which when paired with poor supply management practices could make workers sit idle on job sites. Using technology such as a construction-based Dynamics ERP software can be the tools required to work on the procurement of supplies.

## **Errors with Scheduling**

A project schedule with errors could directly affect productivity. Poor documentation and undefined schedules could often cause start/stop of work at the site. This not only causes an increase in expenses but also hinders accomplishing project goals.

# Improper Risk Management

## The Problem

When it comes to startups in the United States, the newly founded construction companies are found to be having the lowest survival rate than in any other industry. The inability to stand 5 years could be related to the risk-laden environment of the construction business to which most new-comers are not familiar.

Also, the lack of risk management practices and undefined contingency plans can call for the lawsuits against contractors which not only causes stains on reputation but also loss of labor resources. However, understanding potential risk areas could help contractors counter the risks while driving productivity. These include:

- Legal disputes with project owners
- Low-profit projects
- Lack of health & safety regulations
- Change orders with extensive time and money overruns, etc.

## The Solution

To avoid such situations, it becomes essential for contractors and sub-contractors to run through risk assessment planning as it helps to identify potential risks and mitigate any chance of poor productivity. Here are the steps which contractors may follow to avoid improper risk management:

### Measuring Risks

The primary step of risk mitigation in construction business begins with hazard planning. Make sure you create a comprehensive document of potential risks as it can be used to define project management adding value to business-customer relationships.



## Identify Impact

The next step that contractors should take to control risks in construction projects is assessing the impact. Also, a risk number could be assigned to the hazard depending on the likeliness of the loss and impact it can deliver.

## Define Control Measures

On successful identification of risks, the project managers should coordinate with field teams to define the control measures. All the control measures must be documented to have well-defined contingency plans. However, projects must be checked from time to time as it helps to identify recurring or unique risks associated with project activities.



## Poor Financial Management

Though construction business is full of risks, delays, and overruns, one thing that is imperative to the success of construction firms is the right financial planning. According to the Surety Information Office, it has been found that construction businesses that fail within 2 years tend to have poor accounting as one of the five most common reasons for failure.

Most of the time, these financial management issues are associated with the unavailability of project cost management systems or construction accounting software, lack of estimation resources, insufficient insurance, and poor accounting practices.

Moreover, the construction firms that take surety credit from the banks up to the maximum permissible limit also face failure due to poor management of stock funds and the inability to return to the bank on time.

Such instances often happen with the firms who are not having a sorted accounting process which leads to improper cash projections leaving no scope for liquidity for unexpected expenses. This may lead to delayed bills, payments, and wages, leading to an immediate drop in revenue.

### The Solution

The only thing that contractors need to do to improve their financial management process is to use **accounting software for construction contractors**. This would not only help to streamline financial reporting but also retain the cash flow with improved profitability. Aside from this, there are certain good accounting practices that contractors can follow to improve their overall project management:

#### Maintain Cash Flow with Contract Negotiations

The idea of retaining healthy cash flow requires wise planning of the contract terms. Therefore, contractors should try aligning their progress payments and project milestones to create a payment schedule and improve liquidity.

## Adding Clauses to Secure Payments

The next thing that contractors and subcontractors could do to prevent loss of finances is to establish policies with incentives. For instance, the contractors could simply appoint project owners to pay a defined amount of interest against late payments. Also, the provisions could be made to avail discounts for prepayment as it can improve the chances of the project owner to align with the payment schedule.

## Integrated Software Solutions

Last but not least, the contractors should make this to be a mandate to have an integrated software technology such as Dynamics 365 Business Central to keep a check on their accounting and project management data. Choosing the right solution could help improve the revenue while countering the chances of errors to reach the defined scope of the project.



# Inefficient Safety Practices

## The Problem

Construction is a risky business, especially when it comes to safety and security at the site. Construction can be a hazardous environment due to: exposure to heavy equipment, chemicals, elevated surfaces, trips, falls, slips, etc. These are some of the most prominent reasons for death in the construction industry within the United States.

## The Solution

It is the responsibility of contractors and project managers to ensure safety at the site. This may need contractors to stay in compliance with worker safety regulations designed by OSHA to ensure maximum health standards.

Moreover, the project managers and site supervisors should understand that the lack of safety standards at the site could lead to fatalities, which not only damage reputations but may cause the closure of the firm with heavy penalties. These may include the charges that the Construction Company is required to pay to the injured worker plus the fines that regulatory authority charges to the firm.

On the other hand, sticking to the safety guidelines and being authorized by OSHA could help the construction company improve opportunities. Moreover, it can also add value to the project management practices by avoiding chances of delays, staff turnover, or any reputation loss.

## Inaccurate Estimate

### The Problem

If there is anything that could lead to potential failure or loss on the construction project, it is inaccurate estimates and poor job costing. Since revenue in construction is completely based on the projects, the inability to understand the unique requirements of different projects makes it even harder to design precise estimates.

Most of the time, these inaccurate estimates are made due to missing data, change in prices after the purchase, and inexperienced job costing, etc.

### The Solution

#### Include Missing Data

Most of the time, contractors or project managers make uninformed decisions such as adding the actual cost of a particular activity or task. These can be the missing labor costs, extra items, or left out products that were not identified at the time of estimating. Therefore, it becomes necessary for the contractors to understand all the indirect costs associated with material and services plus any additional expenses they need to pay for material transportation or taxes.

#### Overcome Random Assumptions

Poor job estimates are only the result of random assumptions. Since these assumptions are mostly associated with running a project at its full capacity, the likeliness to forget any unexpected breaks due to environmental or political factors could cause major cost overruns. However, a comprehensive risk assessment could be made to avoid including any data which is not feasible and may cause loss to the business.

#### Allowances

Project management and estimation demand a clear idea of allowances associated with labor, material, transport, etc. Since most contractors try to bid their lowest price to win the project during contract submission, this may lead to the expansion of the allowances causing business loss. Therefore,



project managers and contractors must utilize technology such as **accounting software for subcontractor** data to avoid any chances of the financial burden.

## Inexperienced Approach

When contractors tend to interact with new and unique project requirements, they are on their way to learn new development techniques. This may add to the time required to complete a job which ultimately adds to the budget. Such a situation may lead to a drop in revenue due to hampered productivity and overspending.

When it comes to preciseness in the estimation, tools such as ProjectPro makes it easier for the contractors to access all job data. Also, ProjectPro allows data extraction from the defined jobs easy which helps to improve estimates.



## Undefined Scope of Project

### The Problem

Last but not the least, the undefined scope of project and poor project visibility is another prominent reason that adds to the poor project management practices. This may happen when project managers are not having a clear picture of the work progress. The contractors who do not have defined construction project management software in place are likely to face delays with their progress reports.

Missing any information related to upcoming project progress or tasks may affect resource consumption. Therefore, it becomes necessary to have a measure of project progress and as well as any delays that may affect the project goals.

### The Solution

Contractors often face issues with defining the scope of their projects due to a lack of technological solutions. However, the improved connectivity makes it more convenient to understand project milestones and describe the project journey for timely achievement of goals.

#### Real-time tracking

When you lean on technology like ProjectPro, you have the advantage of real-time access to all the site data such as scheduled tasks, upcoming activities, etc. This helps to improve labor productivity and improve resource consumption which adds value to the project. Also, the benefit of keeping data on the cloud service makes it easy for project managers and site teams to access. Such an arrangement helps to check for any errors or changes in information from either party.

## Better Visibility

As job delays and material shortages are very frequent with construction projects, the ease of sharing project data between managers. Also, it helps to improve project visibility with the implementation of real-time project data which makes it convenient to attain project success.





Based on the concept of cloud, ProjectPro is a SaaS-based construction accounting and enterprise resource planning software based on Microsoft Dynamics 365 Business Central.

ProjectPro helps businesses streamline their processes with better insights into the overall project costs, resource requirement & allocation, which offers precise and timely information. Integrate all of your project accounting, management, labor & resources management, material planning, and customer relationship management through a dedicated solution. ProjectPro offers a smarter and better way to thrive in productivity for your construction business. Streamline accounting processes & strengthen control of your organization's projects with ProjectPro. With integrated data, intelligent transaction processing, and robust analytical and reporting capabilities, you can reduce the time and effort it takes to access meaningful information necessary to make good business decisions.

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