



7 Terrifying Construction Management Mistakes To Avoid In 2021

Strengthening Construction Project Management And Field Productivity



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Introduction

Construction has always been recognized as a risky business. Not because of the safety issues or sometimes, the extreme working situations, but because of thin profit margins, a large number of change orders, continuous delays, and of course, the bankruptcy and business failures that recently gained pace due to COVID-19.

That being said, the industry has had amazing growth for the past two decades with major progress across the United States and the south-Asian regions like India and China. In order to continue that growth and to take advantage of future business opportunities, contractors and subcontractors will be required to be more precise with their project management practices.

This must include the entire account construction management goals such as documentation, profitability, risk assessment, implementation, and more. Since 2021 is likely to be a year compensating all the loss that happened in 2020 due to the pandemic, here we bring you a list of 7 construction management mistakes that contractors should avoid in 2021 in order to ensure a sustainable and productive future.

Let's begin.



Document Management

Construction projects need reference documents and data to proceed with the operations. Since every project is likely to go through situations of jeopardy, having the ability to organize documents makes it much easier for project managers and subcontractors to manage all past transactions and data.

Although that should be a priority, a report shared by the construction industry institute has stated that 20 percent of the costs for a typical construction project comes from rework. The same report also showed some interesting numbers signifying the potential causes of rework which included:

- Inferior construction coordination such as scheduling issues or improper orders causing 3 percent of rework.
- Poor quality of work and lack of safety training causing 18 percent of rework.
- Supply chain issues, such as delayed shipping or late material arrival that causing 24 percent of rework.
- Inaccurate documentation is the top of the list, causing of rework leading to 55 percent of rework at the construction site. Most of the time, it is an incorrect version of documents, late updates of the drawings, sudden change orders, and other specifications that cause the rework.

As construction projects involve a large amount of documentation varying from daily progress reports to field reports, submittals, change orders, timecards, safety guidelines, and checklists, access to real-time reports is necessary to avoid expensive construction.

Some of the key practices that contractors and subcontractors need to include in their document management routine to avoid costly rework and budget construction can be:

- 1.Say no to storing project data on personal email accounts, rather the project teams must use a centralized system such as cloud or drive to ensure a single source of truth for all. This can also help field and office teams to have updated project data at all times for quick editing, referencing, or sharing.
- 2.You can have revisions or audits on the document repository from time to time as it can help identify any need for amendments.
- 3.Contractors should focus on using a cloud-based construction accounting and project management software like ProjectPro to keep files organized in a logical format.

Labor Productivity

According to AGC, America, the COVID-19 has caused more than 9,75,000 loss of jobs in April 2020. Also, 67 percent of the construction companies have confirmed that the spread of the pandemic has either caused cancellation or halting of projects since early March 2020. As the construction industry was already struggling with an ongoing labor shortage since the great recession, this past year has left 80 percent of subcontractors scrambling to find skilled labor to perform specific tasks at the site.

Such long-term labor issues have forced construction contractors to struggle with productivity issues. Even though project managers and field teams plan the schedule and estimates considering the level of worker productivity, lack of the right technology becomes the reason for productivity loss at most times.

Another possible reason for the loss in construction projects is the demanding project owners who often introduce major project changes and still demand timely deliveries. This often leads to labor insufficiency and inefficiency declining the progress rate of the project.

Some of the most significant factors that can help prevent construction mistakes by project managers and drive labor productivity include:

Cloud-based Platforms: The pandemic has made many construction firms adopt the concept of remote and cloud technology to work on projects while aligning with the teams. Such arrangement could help streamline the workflow as it does not require teams to involve in the face to face interactions and still can help continue with project goals.

Overtime: Contractors should practice keeping a watch on overtime as increased working hours post the 40 hours of scheduled work for any labor could add to cost inefficiency with huge productivity lag.

Site Occupancy: It is necessary that contractors assign the site to different subcontractors depending on their needs. Such practices can help avoid congestion at the site and resolve productivity issues without any safety compromises due to heavy worksite occupancy.

Consistent Halts: Make sure contractors avoid consistent halts at the construction site to avoid breaking of workflow and allowing workers to gain a pace.

Supply Chain Errors: Insufficient material supply at the site could cause delays to the project deliveries. Thus, to avoid such productivity issues, contractors could simply use a construction ERP software that can help keep a timely record of supplies.

Errors: A project schedule or plan that contains incomplete or error data could affect labor productivity to create disastrous results. Therefore, contractors must aim for comprehensive scheduling to eliminate errors or omissions that may create a communication gap in the process of developing the project

Risks & Contingency Management

Construction is one of the riskiest industries but still, most contractors are found overlooking the needs for advanced risk and contingency management. According to the data from United States Census Bureau, construction companies tend to have a fall in their survival rate as only 36.4 percent of companies stay in business for a period of 5 years.

Therefore, contractors who need to sustain their business in 2021 must avoid such project management mistakes in construction. This would require special consideration to risk planning operations overcoming risks of failure and improving awareness on factors that elevate risks:

- Frequent change orders leading to cost and schedule overruns
- Litigation and disputes related to extended costs or delayed deliveries

- Recognizing low-profit margins in the projects
- Overcome the pressure of saving time, money, and other resources
- Comply with site safety and health-related regulations.





But how can construction contractors work on risk management goals and ensure precise project assessment to meet contingency plans? Let's find out.

Locate Potential Hazards: Start with identifying all potential hazards that can affect project success and document them. This information can then be used to plan the projects and overcome any socio-political risks that might affect the contractor or project owner.

Measure Impact: The next thing that needs to be worked on by project managers and contractors is measuring the impact of the risk, its magnitude, and people who could be harmed by it. This will help you assess the situation and work on plans that can help avoid future risks.

Define Control Measures: Once you are done measuring the impact after locating the hazards, make sure you immediately start with control measures that can reduce the overall risks and can help drive the scope of the project.

Documentation: When you are done working on control measures, you can simply start with a quick re-analysis of the entire process to ensure nothing has been missed. Further, all information should be recorded in the documents and must be shared with all the field teams to avoid any such issues.

Contingency Plans & Monitoring: Last but not least, project managers must make actionable contingency plans to ensure active response planning. It should be made an essential component of project planning that could help with minimal delays and is designed to monitor operations for progressive risk management.

All in all, risk assessment and contingency planning are driven by timely and bi-directional flow of information that can help project managers and other stakeholders aware of the project progress without facing any failures or liabilities.

Finance Management

When it comes to the common yet most terrifying construction project management mistakes, inefficient financial management is another prominent factor that can cause damage to projects. Moreover, poor financial management is recognized as one of the top 5 reasons for the failure of a construction firm within two years as per Surety Information Office reports. The report has found that 29 percent of the failures that happened within two years happened due to poor financial management had bad financial management as the root cause of failure. This includes:

- Poor project management systems to manage costs
- Procurement issues
- Lack of insurance options
- Inadequate accounting practices such as missing construction accounting software

In addition to this, many contractors were found taking too many risks both for a company as well as individual projects, making it difficult to achieve growth targets due to no consideration for errors, borrow limits, available credits and cash flow. In other words, it can be understood as a situation where contractors are not aware of their financial projections which lead to reduced cash flow leaving no scope for flexibility in the project.



Further, it may lead to late bill payments, clashes with the vendors, reduced supplies, and poor project growth. The dwindling of costs continues affecting the revenue and margins of the contractors causing eventual bankruptcy. Therefore, it is crucial that contractors would focus on their financial plans to avoid such scenarios.

Accurate financial reporting, management of cash flow, liquidity, compliance to state and federal laws, and managing other accounting operations, all are crucial for business growth. In addition, contractors should indulge in active field productivity tracking to ensure the costing process should have access to all the parameters that can affect financial management.

Furthermore, subcontractors need to align with certain key points that can affect the overall performance of projects:

Negotiate Contracts: First, subcontracting firms and contractors must have clearly defined contract terms that can help maintain the cash flow while working on defined goals. Moreover, the contractors must aim for progress payments, use of AIA applications, and use of G702 forms to ensure timely payments are made, keeping things on schedule.

Secure Payment Policies: contractors, as well as subcontractors both, must participate in creating policies that could hold project owners accountable for early payments. This can be a small discount on payments made under defined time or interests that can be implemented on late payments.

Integrated Construction Accounting Software: Technology in construction should be considered as a skill that must be practiced by all contractors and subcontractors. Therefore, it is always a good idea to adopt an automated and integrated construction accounting software like ProjectPro that can help streamline all the tasks related to payments, billings, invoices, labor hours, etc. Also, these systems could take account of all the finances related to other processes such as ERP, CRM, and Project Management.

Safety Practices

Accidents and safety hazards are long associated with the construction industry. Whether it is injuries with equipment, heights, or exposure to chemicals, construction workers need to deal with a constant fear of major injuries and fatalities.

The concern is very natural when 20 percent of all the deaths that happened in the United States in 2013 were from the construction industry, while the leading causes were electrocution, trips and falls, workers struck by objects, or workers caught inside or between heavy objects.

As the industry is already dealing with a substantial labor shortage, contractors in 2021 must aim for better safety practices. This must include all the safety standards defined by OSHA in regard to worker safety as well as current pandemic guidelines for working at a construction site.

It is necessary that construction firms should understand the penalties and risks associated with poor safety standards. Also, the inability to align with OSHA standards of safety and worker health could cause huge financial damage to construction companies along with the possibility of cancellation of licensure.

And just in case, your firm managed to define the standards but the subcontractors you choose are failing to create a safe work environment, it can lead to litigation, project delays, reputation damage and staff turnover. Thus, effective safety measures must be made an essential part of risk management practice for achieving timely success with projects and maximum workers' protection.





Job Costing & Estimates

Another big mistake that contractors usually make while working on a new construction project is an inefficient approach to job costing. Unlike other industries, the construction industry is project-based and not a product-based business, which means inaccurate job costing and estimates could cause big-time financial loss to the contractors. Though it is not possible to always accurately measure the costs, contractor and subcontractors must aim to avoid significant errors that might bring damage to the business:

Blunders with Data: The first common error that subcontractors make while working on estimates is omitting the important data related to project specifications. Such mistakes can lead to clashes between contractors and project owners when project owners are not able to see those specified elements in the end product. This can be anything related to labor overtime or other additional costs related to material purchases, taxes, transportation, etc.

Inaccurate Assumptions: The next big mistake that contractors, subcontractors, and project managers make while creating estimates is assuming that all the resources will operate at their full capacity. However, neglecting the chances of inconsistency, reduced capacity, weather, and other factors that can affect the project makes it difficult to follow all related estimates explicitly.

Lack of Experience: Implementing new work techniques or using a new material involves a learning curve which most contractors forget to consider while planning. Therefore, contractors must always keep some wiggle room in their estimates to avoid productivity and performance issues with projects.

Price Change or Inflation: Last but not least, it is necessary that contractors must be aware of the future price change or tax implementations while working on estimates. This can help avoid sudden increases with job cost estimates that may happen due to tariffs or price rise that happens due to fluctuation in demand and supply.

An easy way to overcome these errors could be switching to a construction accounting software like ProjectPro. Since the integrated system is designed to automate the process of placing bids using project specifications, it can allow contractors to avoid common project management mistakes that might cause loss to the business.

Project Visibility

The seventh most terrifying mistake that construction contractors make while managing construction projects is losing the visibility of the project. Project visibility could be understood as the real-time position of a project that is tracked through daily progress reports. However, the constant pressure of delivery and poor communication system enables project managers to lose command of the project.

Daily progress reports include each and every detail related to job sites such as weather, the status of current milestones, availability of resources, and visits made by any office staff, as well as any information that might affect the project performance. Therefore, it is crucial that project managers should keep a check on project visibility ensuring better connectivity between teams as well as project milestones.

Field Productivity Tracking: Project managers could take advantage of timesheets features available with software like ProjectPro to have a better track of the field data such as labor performance and productivity. Using digital timesheets also reduces the chances of error and can be easily shared over the cloud to allow project managers to monitor the real-time progress of projects.

Daily Reports: These are the progress reports which must be submitted by the field teams to the office teams and project managers. These reports not only help to trace and have accountability for the daily activities but can also be used as evidence in case of litigation.

Streamlined Communication: Project visibility is all about communication between field and office teams. The daily exchange of project reports allows teams to identify any risks that might show up at any stage of the project. Moreover, such practices help teams to have quick access to drawings, documents, and any other project data that might affect the visibility and scope of the project.

All in all, project visibility must be a priority for construction contractors and therefore, contractors must aim for the best use of technology to identify any delays and rectify errors that might cause damage to the ultimate revenue. Moreover, contractors and subcontractors working on field data collection, labor productivity tracking, and streamlined communication using a cloud-based application tend to have greater control over the projects while minimizing the chances of other significant errors that can harm the business.



About ProjectPro

ProjectPro is a cloud-based **Construction Accounting Software** Solution integrated with Microsoft Dynamics 365 Business Central. It is designed to help construction companies manage tasks and requirements related to Project Accounting, Resource Management, and Project Management.

Streamlining business processes for construction firms, real estate developers, and contractors, ProjectPro can be used to work on integrating data, transaction processing, and robust reporting. Moreover, features like Cloud and Power BI help construction companies for improved Business Decision Making.

Some of the other features include Project Management, AIA Contract Billing with Retention, Advanced Job Labor, Change Order Tracking, and Material Planning. Moreover, ProjectPro includes Subcontract Management, , RFQs, TimeSheets, and keeps users updated with real-time Notifications and Alerts. It also comes with a dedicated mobile technician app that can help with field service operations.

At ProjectPro, we help construction companies with customized software solutions to make their construction business sustain and grow in this digitally growing world. We help you turn your vision into a value with promising services and a pleasant customer experience.

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Take Care! Stay Safe!