



5 Alarming Project Management Mistakes Made by Construction Professionals

E B O O K



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Introduction

The construction industry is quite complex and so are the projects. This is because construction projects can be well-managed when you ace your micromanagement skills. From assigning new tasks to laborers to keeping track of materials and client handling, every phase of the project requires complete attention and precision.

Nevertheless, humans are prone to errors. However, errors in project management would lead to unnecessary delays and increased job cost. According to a survey, these mistakes cost a construction company:

- 50% of the construction companies close within the three years.
- More than two-thirds of all projects failed to meet project deadlines and set budgets over the past year.
- 33% of projects fail to achieve success because of a lack of involvement from the top level management.

From the above stats, it is apparent how a few project management mistakes are costing big bucks to construction organizations. Unfortunately, these mistakes cause delays, and, in some cases, lead to major failures as well.

Several construction companies wish to scale their business profitability. To attain success in your business, entering a new, services-driven economy has become integral. There are several opportunities in the services sector today. However, the world is evolving and it will continue to challenge outdated service models and practices.

Presently, market forces are driving the need for improved speed, agility and resourcefulness. As a result, there are several mistakes that are visible across the industry.

Most construction businesses are mostly familiar with their projects getting delayed for different reasons. Every company most likely has one story about a project, which is projects taking longer than planned or exceeding budget, even when using project management software.

Top Project Management Mistakes Made by Construction Professionals



1. Resource Mistakes

Construction companies are not like other companies that manufacture and sell products, they generally bill their clients on the basis work hours of their resources. As a result, resources are the biggest expense for service firms, and the most risky aspect; if there are massive resources, profit margins usually suffer, and if they lack, a company can't take on new tasks.

At times, these common project management mistakes, especially bringing accuracy in resource ability planning can be fixed by forecasting the types and numbers of resources required to smartly and profitably deliver work.

- **Poor forecasting of staff needs**

In order to predict the numbers accurately of employees to meet client demand is difficult for even top resource managers. Firms most of the time struggle to strike a right balance. However, it is a critical equation—having too many resources will keep your company in the red zone.

For small construction businesses, if one extra person is not fully utilized may lead to differences between being profitable, or not. On the other hand, bigger companies are usually overstaffed in the belief that it will enable them to act quickly on a big project. But, having so many people that aren't utilized is quite difficult to manage.

What is the major cause of this problem? Well, there are no resource management tools to assist you with predicting the rising resource demands. Many construction professionals agree that they still rely on assumptions and experiences when making hiring decisions.

- **Hiring skilled staff for short-term projects**

Presently, the new trend in the services economy and the growing expectations of clients are pushing companies to extend their range and depth of offerings. In the year 2019, 85% of construction firms admitted that client expectations were growing. As work complexities increase, so do the skills required to deliver this work.

Construction firms are committing to big and complicated projects that need additional skills beyond their existing capabilities. This usually leads to hiring to meet demand. However, these organizations only have short-term plans for keeping these resources billable. What to do after the project is finished? This type of shortages in the pipeline eventually impacts the margin line of your business.

- **Hiring incompetent people**

For a construction business, a team is of paramount importance, and it's important to be highly thoughtful about who to hire. Typically, during the hiring process, you didn't get time to segregate candidates for things such as culture fit.

Also, time is precious. However, getting a new business can feel so exciting—the client wants to begin with the project tomorrow, you need staff, and your obvious reaction is to hire and just get the work done.

But, when you speed up the hiring process to fill openings and respond quickly to the growth, you end up making mistakes. These hired staff seem to be not a good fit.



2. Profit Problem

The rush and excitement of chasing growth at the cost of the bottom line is much visible in the construction industry. Getting a new contract for your construction business, regardless of how much money it adds to your firm’s success is crucial. Never think that growth is connected with profits instantly—this is quite an illusion of success. So the most prominent project management mistakes can have a great impact on your profit margins, which you would want to avoid.

- **Taking projects that are unprofitable**

As we know, the construction business is a client-facing business. And a lot of effort and focus onto closing the deal. Whether the new project helps the bottom line or not, you need to put in an effort, especially in a firm’s early life, when revenue is integral.

And projects worthing you the equal amount of money, can deliver different outcomes for a business’ profit margin. However, there comes a point when companies need to start taking on work for profitability, not just ROI.

- **Poor control over the project**

Most resources in the construction industry usually think about their contribution in terms of hours. They work on assigned hours, so teams usually do the work, mention their work hours time, and at the end of the month the accounting team delivers a report on profitability.

Well, it may be simple to plan a project with higher margins, it's quite challenging to execute one. A lot of change happens in project execution.

Besides making vague decisions to maintain margins, when your team has no visibility into the financial impact of their work, you're flying blind. This improper connection between the day-to-day team and the project accounting is one of the major missed opportunities waiting to be resolved by effective resource management tools.

- **Taking up projects that you can't deliver on time**

Every professional construction company, regardless of how broad the skill set your individual resources may have, being competent is important. Probably, your construction company delivers great work, you may have built trust with your clients, and your client actually increased spendings.

This is amazing, organic growth. However, firms often take up new projects without analyzing their ability to deliver these projects. Construction companies don't have the right people, or they don't have required resources within their existing team to meet the deadlines. In the end, when a project fails to meet client expectations, project managers spend ample time—and money—trying to make things right.



3. Process Problems

We all know that setting up project processes is not a cakewalk and requires efficiency and time of businesses. Regardless of what stage of maturity your business is in, you will experience that the processes are lagging behind the company. The following project management mistakes are procedural, and absolutely avoidable.

- **Scheduling resources on bulk**

This is one of the top methods used by resource managers to distribute hours within a team, and individuals who are responsible for tracking those hours in a system for generating month end reports easily.

Suppose, a resource has to give 40 hours to a project and by the end of the month they probably will not remember if they really spent 40 hours on that task. Maybe they spent 30 or maybe 50. But, probably the resource will enter 40 because as they were assigned.

And unfortunately, this can affect your margin and become a red flag that work is being properly under-budgeted.

- **Unable to track the cost**

Mostly, the best construction companies spend a lot of their time looking for new projects or maybe new clients or nurturing the existing client base. And unfortunately, there is rarely any project management software in place that manages this process. However, do you know how much time and money is being spent on generating new business? How can you compare to the piece of new business? How are the costs affecting the firm's bottom line?



4. Accounting Problems

No doubt, construction is a growing industry, the growth of which is calculated by its project efficiency and the time consumed to complete a project. But to thrive in the industry, construction professionals are striving for safety, speeding execution and keeping an eye on detail while sustaining the overall profitability.

With the continuous change in the landscape of the construction industry, your primary focus should be to complete the project as per the expectations, and on time. However, in all this chaos, accounting is often overlooked. This is why construction issues are quite challenging and make the project suffer due to these roadblocks.

- **Restrict scope**

To be honest, construction management is unpredictable. There could be unplanned last moment changes. Information like building site condition, workforce availability, material available, weather, and atmosphere can impact your set plan.

Besides this, clients can also ask for add-ons, also known as scope creep, which can change your complete planning. And unfortunately, you can't overlook these changes as meeting client expectations is your top priority but making sure that you keep track of cost efficiently.

- **Poor Communication**

If you fail to store all the information of projects and communication in a central database, it becomes challenging to share a proper overview of the project. When the project status is not clear, client expectations fall, and one can sense that something is not good with the execution.

- **Overhead Charges**

Construction projects undergo various overheads which involve the cost related to the workforce, rent, office space, material, and equipment. These overheads differ from season to season and job to job due to the ever-changing nature of construction.

When there's no estimation, it becomes difficult to determine that the project will be profitable or not, even if your planning shows profitability. Construction companies usually declare revenue when it's collected, and the project is completed.



5. Technology Problems

Today, there's no more trend of loading your tools in your vehicle and showing up on site ready to trim lumber and pound nails. Being a contractor, you need to have combined tools and tech to stay ahead in the competitive market. But construction lags behind every other major industry in technology adoption. Despite this, there's a huge number of technological advances and opportunities in the industry.

- **Using wearable devices**

Construction professionals who aren't tech savvy, the numerous options of technology can be intimidating. Presently, field workers may need to use wearable technology, virtual reality, or work on several applications and project management software. This is why technology adoption and proper training on the same plays an integral role.

- **Construction cybersecurity issues**

Construction companies that are relying more on technology to manage and finish their building projects, they'll need a security plan to thrive. Mitigating cybersecurity risks needs to be beyond securing your email accounts and also consider the vulnerability of several project management software, online collaboration tools, mobile devices, financial applications and more.

- **Green buildings**

Presently, construction business owners are adopting green initiatives as part of their latest business model. These objectives are carried over to their facilities and building projects and are boosting the green building trend.

How to Cope up with These Mistakes?

This is where adopting an all-in-one accounting software like ProjectPro is the best solution. ProjectPro is a well-structured software designed for construction Firms and powered by Microsoft Dynamics Business Central. It ensures that you get the most out of your business with the help of smart technology.

ProjectPro has exceptional features and functionalities that enables it to provide your business with the most thriving yet user-friendly construction accounting system using the latest Microsoft technologies.

Typically, ProjectPro helps businesses simplify their processes with better insights into the resource requirement, overall project costs, & allocation. In this way, you get precise and timely information on every task. Now integrate all of your project accounting, labor & resources management, management, material planning, and customer relationship management through an all-in-one solution.

ProjectPro is renowned for offering a smarter and better way to boost the overall productivity of your construction business. By streamlining accounting processes & strengthening control of your organization's projects with ProjectPro, you can stay consistent and achieve your project goals.

With integrated data, smart transaction processing, and advanced analytical and reporting capabilities, you can cut down the time and effort it takes to access crucial information necessary to make the best business decisions.

Conclusion

In a nutshell, avoiding these alarming project management mistakes can help you mitigate many of the related risks and keep your projects on the right track toward benefits realization.

It is important to set goals at the beginning and have planned weekly check-ins to understand your progress. Also, make sure that you understand the working style of your team members and encourage them to work efficiently. Creating a positive work environment and encouraging honest dialogue will improve the overall efficiency of your project.

Having a brief meeting with project managers will help you establish good communication between different levels of your construction firm. Also, do not forget to ask questions and document what good has been done and what didn't meet the expectations of your clients .

Brainstorm and think of new methodologies and approaches that could have improved the project efficiency and other related factors. Store all this information and relevant data in a centralized place accessible to all.

We also suggest you choose a preferred way of communication, be it verbal, face-to-face, or written and stick to it. Be consistent with one method, so that team members and stakeholders are always informed of new decisions, changes, exceptions and so on.

And if you wish to adopt a smart technology tool that eliminates the need of having too many tools for your business, then your search ends here at ProjectPro. It comes packed with amazing features such as creating job quotes, job purchasing and procurement, material planning and much more. To explore its features, [request a demo now.](#)

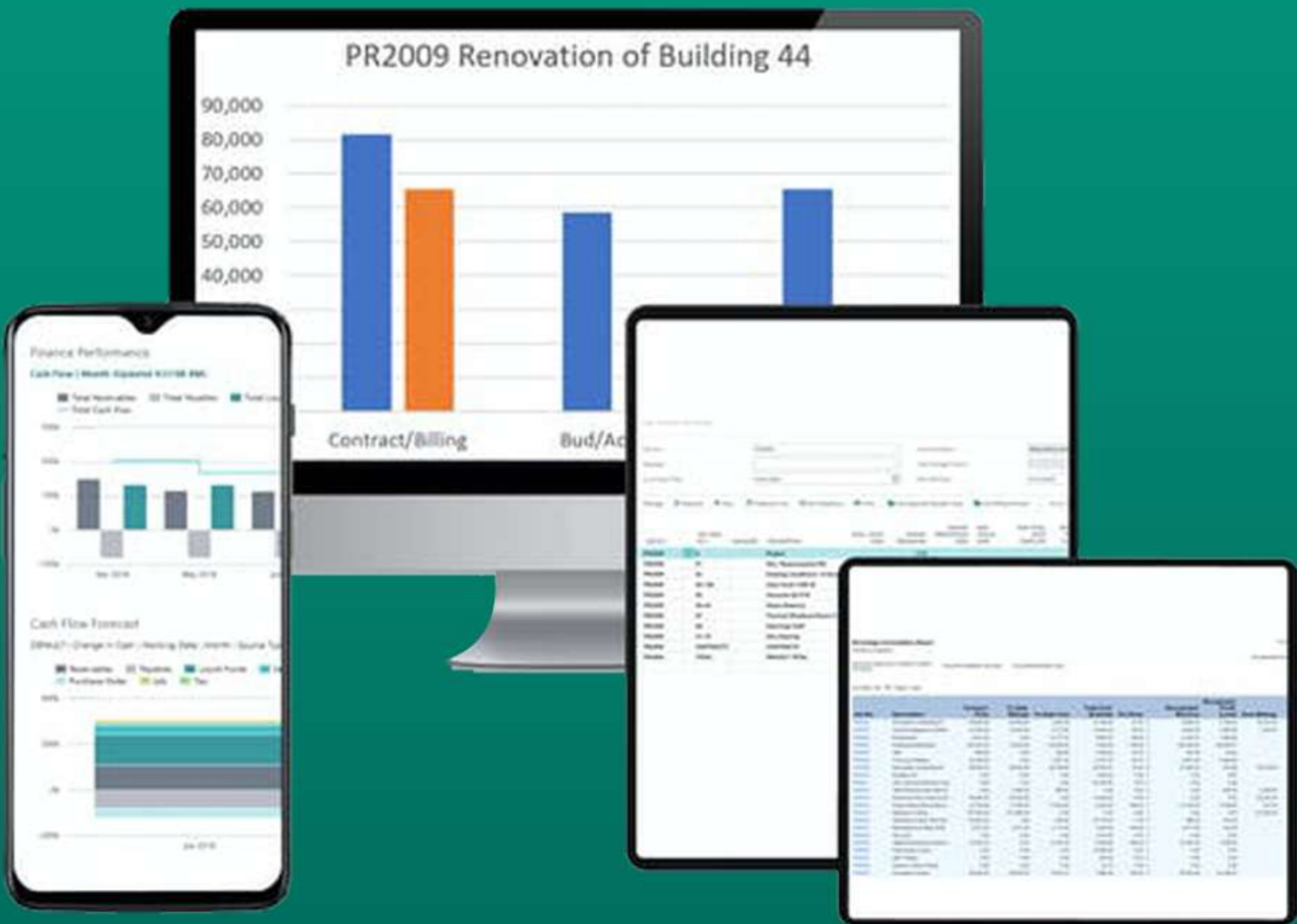
About ProjectPro

ProjectPro is a division of Netsmartz LLC global group of companies. ProjectPro is specifically designed for construction firms and powered by Microsoft Dynamics 365 Business Central to make sure you get the most out of your business software.

Stand out of the league by streamlining your business processes, controlling costs, and offering timely and accurate information. ProjectPro holds the potential to integrate your crucial job quoting, project accounting, resource management for labor and equipment, and much more all in a single database.

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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