



CONSTRUCTION COMPANY MANAGEMENT PLANNING BEST PRACTICES

HOW TO ESTABLISH THEM, ASSESS SUCCESS, AND KEEP ON TRACK

CONSTRUCTION ADVISORY SERVICES



Construction company management planning is one of the most important characteristics of a successful company in today's business environment. It applies to every aspect of construction success for both micro and macro business models.

There are five major risks to success that should be understood in your strategic planning. The following questions need to be answered as your company's development evolves.

1 WHY DO CONTRACTORS FAIL?

2 WHAT ARE THE STAKES FOR SMALL FIRMS AND EVEN LARGE FIRMS, WHO ARE TYPICALLY MORE SOPHISTICATED, WELL ORGANIZED, WELL MANAGED AND WELL CAPITALIZED?

3 HOW CAN YOU TELL IF YOU ARE EXHIBITING ANY OF THE SIGNS OF FALLING INTO THE PITFALLS OF RISK?

4 WHAT CHARACTERISTICS NEED TO BE MANAGED TO AVOID RISK?

5 WHAT ARE THE IMPACTS ON THE OVERALL INDUSTRY?

Poor strategic leadership and not having a vision for the future is the biggest trap a company can fall into. Poor strategic leadership results from poor planning. It is the main reason for failure in today's business environment. Construction management planning encourages beginning each endeavor with a well-crafted vision and basis for the company that can exist throughout its entire lifecycle. It carries with it a set of repeatable steps during every phase including initiation, planning, executing, monitoring, controlling, and operating. It provides a clear path for growth. Starting with a sharp vision of your company's mission, these steps state your purpose and fact-based strategy and can serve as the cornerstone for your company's success, even in the most difficult market conditions.

High-value strategic leaders prove that the company can grow and succeed without them. Construction management planning provides the framework or matrix for integration of vision and efficiency. It stresses resource planning and management as part of that framework. But how do you ensure that your company's legacy will continue? What are the major industry impacts for growth that need to be addressed in succession management?

**BUT HOW DO YOU
ENSURE THAT YOUR
COMPANY'S LEGACY
WILL CONTINUE?**

Industry research on workforce characteristics shows that you have to continuously pursue talent acquisition and workforce replenishment. The workforce dynamic has changed significantly over the last ten years. Under poor strategic leadership, people begin making bad decisions (i.e., poor project selection, hiring the wrong employees, putting the wrong systems in place, etc.), and before company leadership is aware, the firm can find itself on the path to failure. The only way to avoid this is by having the culture, vision, mission, and plan to put the right successors in place who are capable and willing to lead.

What makes a contractor successful as they enter the industry is leadership that exhibits confidence, extreme optimism and a high tolerance for risk. However, these are the exact same qualities that can make them fail. The second risk faced by construction companies is excessive ego and an unwillingness to listen to the opinions and



suggestions of others. For example, contractors often get into trouble when they claim they will win the work and sign the contracts and then figure out how to plan, schedule and staff them later. Imagine a contractor who claims they have always done things this way in their industry and are unwilling to change, even when the risk and economic environment is drastically changing around them. This is a clear sign that they may not be willing to compete aggressively. This can be the root cause of difficulty in winning larger, more challenging bids and securing work that needs to be ramped up quickly.

The contractor who forces too much change affects the ability of the organization to manage those changes. Forcing too much change is the third trap and it can lead to rushed decisions, poor planning and risky execution that can be the root cause of failure. Change is inevitable. It is important to manage it so that you do not force too much at once. Change-related actions could lead to disaster. When too many things happen too quickly, it is easy to get overwhelmed and thrown off course. While some level of change can be dealt with, there is a limit to what most organizations can handle at any given time. It is important to avoid driving too much change in the organization and to plan for managing it more effectively. Management of change is a key element of construction. To fully understand the factors and the speed of change taking place, companies should use the construction management methodology of tracking all of the elements in their business including clients, leads, prospects, projects, geographical targets, risks, project managers, systems and more. The more changes you track, the higher the reconnaissance reliability and greater the accuracy of your assessment of potential risks. It is critical to manage the rate of change on an ongoing basis.

The fourth risk is losing discipline as your business grows. The most successful construction management companies are well disciplined in all areas of their business. As you grow from a small company to a regional operation and into a nationally recognized leader, well-planned business discipline is important. Companies who fall into the trap of losing discipline as they grow universally exhibit the loss of their internal business discipline plan, become bureaucratic and start doing things outside of their core competencies. World-class contractors in the U.S. operate with an amazing level of discipline by doing the same things in the same ways whenever and wherever they do projects. This discipline, planning and company culture is transferred throughout the organization and can last for generations.

The fifth risk that companies fall into is inadequate capital forecasting and planning. Construction companies often wonder how much money should be kept in the company. The straightforward way to approach this question is with another question, "How much money can you afford to lose on your biggest single project?" Without thinking too much, the answer is "all you have." Construction projects have upside limits on the fees, markup and level of profit you can earn. However, the amount of money you can lose is unlimited. Construction companies are often focused on winning more work, a higher backlog and better margin work. The downside of winning is that you put more stress on working capital, and you end up trying to do more with less.

**"HOW MUCH
MONEY CAN
YOU AFFORD TO
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BIGGEST SINGLE
PROJECT?"**

When searching for new people, you need to understand that there is a craft labor shortage as well as a labor force shortage of both field office and home office personnel. So how do you staff the work you have won? When the pressure on working capital is coupled with labor shortage pressures, you have a recipe for disaster.

Overcoming this risk factor requires construction planning that stresses the need to secure capital resources, focuses on implementing financial planning best practices and reserves an adequate capital base to enable your organization



to withstand the inevitable issues that come with growth, change, work force expansion and bigger projects. Construction company management planning distinguishes a successful company in today's business environment. You need to implement the following five best practices to continually assess success and accountability and increase your company's value:

- 1** Strong leadership, vision, and a culture to set clear expectations and standards as well as the performance to meet these standards while continuously pursuing talent acquisition and workforce replenishment.
- 2** Promoting a culture of caring and communication, collecting opinions, and using evidence-based decision making.
- 3** Regularly monitoring and improving the company's standard operating procedures, while determining the effectiveness of change management strategies and actions, guides the transfer of company culture throughout the organization.
- 4** Implementing a well-planned business discipline that can be repeated to provide the opportunity for continuous feedback and improvement crucial to the creation of a high-performing system.
- 5** Providing a system to manage capital planning and forecasting to streamline processes and focus on priority areas that will make a difference.



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