CONSTRUCTION CONTRACTORS: EVALUATE YOUR LEGACY SYSTEMS

We often hear technology experts speaking about "legacy systems." In the world of IT, (information technology), legacy systems are usually antiquated software applications that companies continue to maintain even though there are newer, better packages available. For a variety of reasons, organizational inertia sets in and the legacy system remains in use long past its time.

Well the same can be said of a variety of other systems—a system is really nothing more than processes, procedures and activities performed in some routine manner arguably for some desired outcome.

For contractors, a variety of "systems" come to mind:
- Project management
- Scheduling
- Performance appraisal
- Equipment management
- Project controls
- Accounting and management information
- Individual time management/self management

And I'm sure you could think of other systems or subsystems in your company.   The question for all of us to consider is, "Why are we doing 'it' this way? Is it because "that's the way we've always done it"? Or is it a deliberate decision, based on process analysis and good reasoning? (Even if it is the latter, how long has it been in place—is it still relevant, or are there yet better ways to approach the task?

Many construction companies, for example, conduct a weekly ritual. It's known as the project status meeting, project review meeting, weekly project managers' meeting, or something similar. When all systems are working properly, information about project status is shared openly, and decisions are made to improve the execution of the jobs where necessary. This of course requires good information to begin with, as well as adequate experience and knowledge on the part of the project managers to understand the sequence of activities and how to carry them out effectively. It requires being in touch with the project and understanding what's going on out at the site. Unfortunately, these conditions aren't always present. Consider the typical case of the project that was going to be completed ahead of schedule, and everything was supposedly under control one week. But then the next week, potential overruns come to surface and the project looks like it will be difficult to finish on schedule.   How can this happen, and happen consistently in some companies?

Successful project management requires rigorous planning.   It also requires robust communications—both to and from the field. Often these "surprises" on a project can occur when the job wasn't adequately planned before execution. More often than not, even with good planning, poor communication between the field and office will result in surprises. Operations personnel have to know how to do the work and manage the people working for them. People in

supervisory positions also have to know how and what to monitor to be sure their job is on track for successful completion. Even if they have good information, do they really know how to use it? This is an area that can produce sizable benefits when improvements are made.

That's just one example, but one that we see all too frequently. You probably can think of other examples as well. The point here is that the reason the problems persist is that there's something wrong somewhere in the system. The system may have worked in the past, but with changes in the business and changes in the people, what worked in the past no longer works well. Sure, there may be a problem with a particular person, but if the problems occur among and within a group, it must be due to a systemic cause (this assumes that at least someone in the group otherwise knows what they're doing—it's not a matter of collective incompetence or indifference.)

Does your company have "legacy systems" in place that are getting in the way of your ability to make money and have fun? Maybe it's time to rethink how some things are being done and change some systems and procedures. There won't be any "good" time to address the problems, so why not get started now?

Dom Cingoranelli, CPA, CMC assists contractors with profitability improvement, strategy, growth and performance issues.