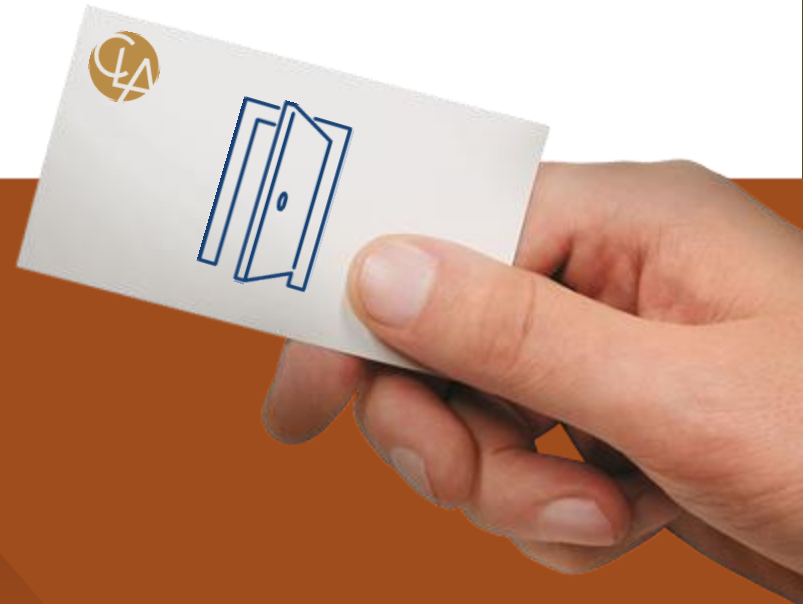


Project Managers – Maximizing the Value of a Precious Resource

Bob Sniegowski, P.E.



Why this topic – why now?

- Perception that project managers have unlimited availability at a relatively low hourly rate
- Increasing concerns that risk and profitability are being properly managed on projects
- Widely reported shortage of project managers now and in the years to come
- Need to develop a strategy to obtain more value from our PM investment
- **CREATE LEVERAGE**

Learning Objectives

- Summarize the real mission and value of a project manager
- Change organizational expectations to one where project managers must focus on tasks that add value
- Formulate strategies and processes whereby PMs can leverage their time through technology or delegation of tasks to an appropriate skill level



The Project Manager's Mission



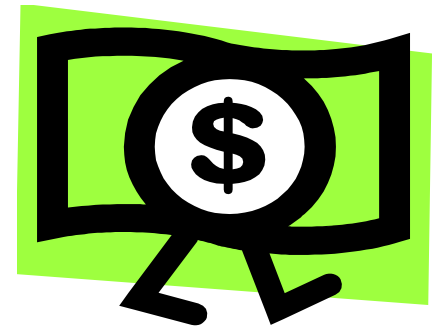
***GENERATE SUFFICIENT
GROSS PROFIT TO
ABSORB OVERHEAD AND
PROVIDE A RETURN ON
INVESTMENT FOR THE
OWNER(S)***

Measuring the Value of a PM?

- Annual salary
- Annual salary plus tax and burdens
- Annual salary plus tax and burdens plus bonus
- Annual gross revenue managed
- ★ Annual gross profit generated

Hourly Value of a PM

- Assume that the minimum gross profit we expect of a project manager in a year is at least \$500,000
 - Assume that each project manager has 2,000 work hours available per year (50 weeks x 40 hours/week)
 - If you accept the argument that the value of a project manager is best expressed by the gross profit he/she must generate, then...
- ! Hourly value = $\$500,000 / 2000 = \text{\$250 per hour}$
- ! Suddenly **HOW** a project manager's day is "**spent**" becomes a greater management focus



Optimal PM Deployment



- Procure new work
- Maximize profitability on managed projects
- Accurately forecast cost at completion
- Develop and nurture relationships
- Close out and collect for projects

Evaluate How PMs SPEND Time

- What tasks consume a PM's time?
- Do all of these tasks contribute to achieving the “mission”
- Do all tasks add the same value?
- Are PMs doing the “right work”?



PMs Doing the Right Work

- Takes more effort than doing everything
- Just because someone can do something does not mean that the task is best use of time
- Effective delegation takes skill
 - Clear instruction
 - Consistent processes
 - Follow through
- What can be done to move administrative and clerical work away from PMs?

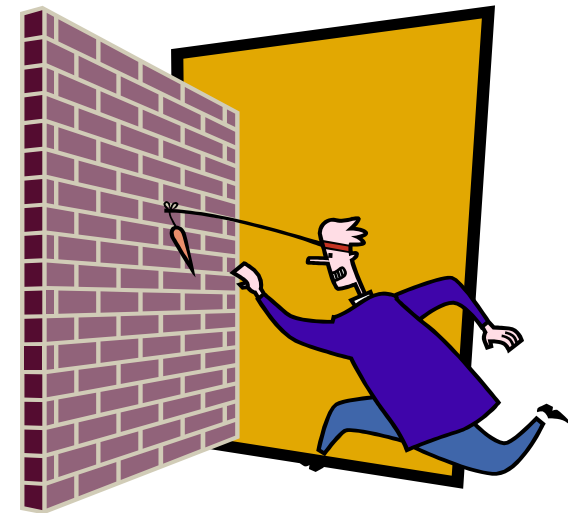
Focus on RESPONSIBILITIES!

- Generate gross profit for the company
 - Project coordination and communication
 - Monitoring and controlling cost
 - Billing and collection
- Monitor Work Scope
 - Identify changed work
 - Support change requests both entitlement and cost
- Manage risk
 - Profitability
 - Completion date
 - Quality



Challenges to Focusing on the “RIGHT” Work

- Attitude
 - “It is easier to do it myself than explain it”
 - “If I do it myself, I will know it is correct”
- Distrust or Lack of Understanding
 - “Accounting (Information) system doesn’t have same numbers I do” - Timing issues
 - Many PMs don’t understand accounting periods
- Tasks that add the most value may be the most difficult to execute
- Time management may be lacking
 - Is time being spent where it matters?
 - According to who?



Project Management Challenges

- A tendency to focus on the project not the enterprise
- Absence of consistent formalized processes
 - the need for flexibility?
 - lack of direction?
- Deficiency of accurate timely cost information
- Executive management does not question the PMs' use of time for administrative, clerical or accounting tasks

Leadership's role

- Focus efforts on significant issues
- Accountability will only make us better
- Questions to ask
 - What is consuming our time?
 - What are we missing because we “have no time”?
 - Are we at risk because of it?
 - Are we missing opportunities?
 - Continue to do things the same way and expect different results?

Management's Role

- Personnel development
 - Expectations
 - Evaluation
- Measure progress
- Insistence on effective, consistent processes
 - Continuous improvement
- Staffing
 - Right people in right role



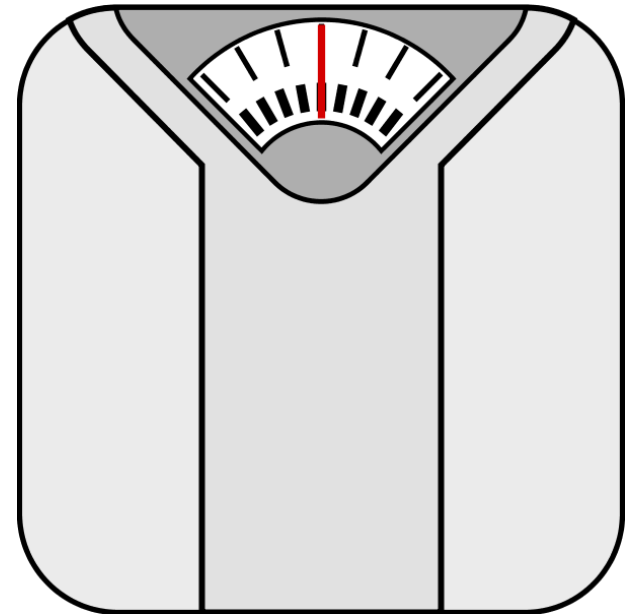
Position Descriptions

- Establish expectations, reporting relationships and performance measurement.
 - Measure what is important
 - Evaluate performance
 - Develop the next generation
- Encourage delegation and responsible oversight



Measurement → Management

- Reasonable gross profit earning expectation for a project manager?
- Periodic monitoring?
- Is there an expectation?
- Is it enough to sustain operations?



Gross Profit Expectation

| Classification | Revenue per PM (x1000) | Gross Profit Percentage | Gross Profit (x 1000) |
|-----------------------------|------------------------|-------------------------|-----------------------|
| All Companies | \$7,500 | 9.2% | \$693 |
| Industrial & Nonresidential | \$7,300 | 6.6% | \$484 |
| Highway & Heavy | \$11,600 | 11.3% | \$1,307 |
| Specialty Trade | \$5,300 | 16.0% | \$848 |

Source: Annual gross profit per project manger developed from Annual Revenue per Project Manager (p.47) and Gross Profit as a percentage of Revenue by Industry Type (p. 10) Construction Financial Management Association's 2012 Construction Industry Annual Financial Survey.

Why the need for consistency?

- Process is necessary for leverage
- Leverage i.e. pushing tasks to the most cost effective person or resource
- Process and Leverage will lead to
 - Effective delegation
 - Attention to the important issues
 - Enter data once, use it for many different purposes
- More efficient management oversight
 - Focus on the solution, not whether the problem is correctly identified

Efficiency relies on access to relevant info!

- Estimates must not only lead to the procurement of profitable work, they must be capable of producing a budget that is relevant as costs are reported
- Consistent quantity reporting is necessary to accurately estimate percentage of completion for forecasting
- Meaningful job cost reports are worth the effort
- Executive management by exception
- Identification of changed work and potential sources of revenue
- Faster resolution of claims



Making the Technology Investment Work

- Duplicate data entry + spreadsheets = PM inefficiency
- Automation can be achieved by entering data once and using it many times
- Consistent processes are necessary to exploit the investment in technology



Potential PM Efficiencies from Technology

- Dashboards to manage the exceptions
- On-line invoice routing, review, and approval
- Searchable (via tags or OCR) daily logs and photos
- Change Order status tracking within the system from the time the impact can be estimated
- GMP or T&M billing within the system using gathered job cost detail and scanned images as the support for billing
- Forecasted cost at completion analysis within the system routed, reviewed and accepted by CFO

Self Reflection – First Glance

- Do we experience profit fade? Why?
- Are our project managers proactively managing risk? Why not?
- What tasks are consuming our project managers time? Why?
- Can our project managers consistently deliver forecasts that allow us to be proactive in mitigating fade and maximizing gain? Why not?



Self Reflection – Digging Deeper

- Can our project managers use their time better to manage outcomes? Where?
- Are project managers doing clerical and accounting tasks rather than delegating? Staffing? Poor choices?
- Do we have standard processes? Is every project manager allowed to have their system? Best way?
- How can our company exploit our investment in technology to manage more work profitably?
- Do we have an information system accessible to all or an accounting system accessible to a few?

Self Reflection – Level of Commitment

- What is our plan for continuous improvement?
- How can our project managers fit more into a day that is already overflowing with work?
- Can work within our company be leveraged or delegated to a more appropriate skill level?
- What expectations have we communicated?
- Do really we measure and discuss performance?

Putting One Foot Forward



- Does our company need to change?
- Do we have the commitment to make the change?
- What one change would make our PMs more efficient a year from now?
- What one change would increase the value added by each PM on an annual basis?

Project Managers – Many of them diamonds in the rough...



...with the potential of adding significant value in your organization



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Profile

Bob Sniegowski is a principal and construction operations consultant with the CliftonLarsonAllen Construction and Real Estate Group. After working within the construction industry for 24 years, he joined the firm in 1998. He is the principal in charge of the construction group specialized industry consulting practice.

Experience in serving clients

Bob specializes in operations consulting to construction companies, implementation of technology, dispute resolution support services to attorneys and project management training to various contractors and industry groups.

Educational/professional involvement

Bob graduated from Michigan Technological University in 1976 with a Bachelor of Science degree in civil engineering and is a registered professional engineer in the states of Georgia and Minnesota. Bob began his construction career in 1974 as a student engineer for Bechtel Associates, followed by a twenty-two year career with Al Johnson Construction Co. where he held the positions of estimator, senior estimator, office engineer, project engineer, project manager, vice-president and president of two different subsidiary companies. Bob has worked nationally on heavy civil works projects such as navigation locks, dams, bridges and tunnels; as well as regionally on grading, paving, and utility highway projects and commercial building construction projects.

Bob is an active member of the Associated General Contractors of Minnesota and its annual meeting steering committee.

