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The Foundations of Operational Excellence

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Operationally superior companies continuously review and update their processes, and that discipline extends to post-job procedures as well.

It takes dedication and diligence to create an operationally superior company, leveraging the lessons you learn from one job to the next.

Creating Best-in-Class Communication

An area often ripe for improvement is communication with clients. Additionally, communication internally across the entire team, from the office to the jobsite, must be clear and efficient. Understanding what and when to disseminate important information can help drive productivity, improve employee engagement, and generate repeat customers.

Communicate with customers on a regular basis and don't surprise them without offering potential solutions.

Operationally superior companies make their customers feel informed and part of the process from the beginning with regular updates. They establish a clear communication cadence, create touch points at various milestones, and proactively manage their relationships.

This applies to all types of companies since the key to this principle is about building and maintaining relationships. Clients should not be surprised with project changes, deviations, problems, or obstacles. Instead, they should be presented with potential solutions and encouraged to be part of the answer. Much of this communication should be about steering customers in the direction of win-win outcomes for both parties.

When offering solutions, it's important to be careful that you don't undermine others, such as architects and engineers, on the project team. While it might be easy to blame someone outside your company, doing so may create longer-term entanglements. You should be a good partner to everyone on the project, not just the customer or owner.

Every meeting or encounter with a customer, vendor, or trade partner is documented with meeting minutes or an action item list. If there were no meeting minutes, there was no meeting.

It's not enough to simply record what happened during a meeting. You should follow a firmwide, replicable template that creates action items and ways for easy follow-up. Meetings should end with answers for what needs to be done, by when, and by whom on the project.

This also creates an opportunity to quickly resolve disputes. If any of the follow-up is in question, the members of the project team can discuss and come to a quick solution.

Schedule Post-Job Reviews From the Beginning

For many in the industry, it can be challenging to determine when to hold post-job reviews, particularly if you're waiting on one tiny detail to officially close out the project. That's why many operationally superior organizations include post-job reviews as part of the standard timeline that is established at the beginning of the job, making sure that time is allocated for the review at the outset.

Making sure the review is part of the schedule ensures that important lessons learned, cost histories, success, challenges, and other details aren't lost during the closing process. Teams can quickly and efficiently disseminate the information and help create better projects.

The conclusion of a project is accurately detailed on the schedule to reflect realistic time frames associated with closeout, punchlist, as-built generation, testing and commissioning, cleanup, and demobilization.

Typically, scheduling is done from beginning to end. Yet this can often lead to compressed and unrealistic timelines toward the end of a project. The beginning is well-thought-out, but the end of a project becomes crammed with tasks and obligations to finish.

Many best-in-class companies find that starting at the end of a project allows them to create realistic timelines and leaves enough space in the schedule to appropriately close out projects and document systems as they're built for handoff.

Efficiencies are often lost when processes get rushed at the end of a project. Leaving enough time to close out projects means you'll capture all the lessons learned and have the time to share any best practices with other project teams.

Each project will conclude with a post-job review done in a suitable time frame to avoid missing critical project details, but it ultimately serves as the finish line for the project.

While this might seem obvious, many companies can't officially close the books on a project for years after it is completed due to bond release or even the simple collection of final payment. The main goal here is to capture best practices and areas for improvement while they are still relevant and fresh.

Post-job reviews aren't just for the project team. Best-in-class companies share what's been learned and what changes can be made across the organization. This prevents others from making the same mistakes and ensures that efficiencies are quickly implemented across teams and departments.

Project teams look for opportunities to prefabricate and modularize where applicable, with a focus on improving efficiency and safety.

Prefabrication and modularization are two areas that organizations are leveraging to improve efficiencies. They mirror the world of manufacturing and allow firms to build in controlled environments. Investing in these process improvements can generate many efficiencies and improve safety, but they need to be implemented in the right way.

You have to measure prefabrication to make sure it is working and adding value or return on your investment. It's important to consider all variables and logistics, such as transportation, fabrication facilities, inventory, etc., as part of the assembly process. If you are just moving money from one part of the project to the other, then it is not truly adding value.

Prefabrication and modularization should make you safer and ultimately provide for better quality, but they do require better planning. What you build off-site will need to be seamlessly integrated with the building in an appropriate time frame. It takes an incredible amount of planning to make these processes efficient and cost-effective. In the end, all of this data needs to be captured, examined, and evaluated to determine the efficacy of the internal (prefabrication) and external (jobsite) operations.

Create a Usable Repository of Information

Lessons learned on projects are stored in a library that is a firmwide repository for all best practices. Post-job reviews are one avenue to populate this repository.

The key to creating this library is to make the information easily searchable so that team members can access relevant tips and quickly extract value from what's been chronicled. Many companies are shifting from binders and paper information to internal databases that can be quickly searched.

Operationally superior firms are moving past written narratives and incorporating pictures and videos to illustrate points and give employees quick examples. Entries and project information should adhere to a template to ensure that all projects have the same information and employees can quickly find what they need. By making the information engaging, easily searchable, and standardized, more people will utilize the information and help generate efficiencies across projects.

Accountability for all processes and tools is strictly monitored. The contents of the operational playbook are monitored, and personnel are measured on its utilization.

Many companies say they have an operations manual. But if they're not monitoring and measuring its usage, then how can it be helpful? Adhering to the operations manual and staying abreast of changes or new procedures is not optional. Teams must be held accountable or following the processes. It's important to be diligent to create efficiencies and standardization.

Operational improvements are publicized and shared across projects and teams, serving as the impetus for internal change and firmwide betterment.

The outcomes of operational improvements need to be shared. This can include labor savings, time savings, what was prefabricated versus built on-site and other metrics. The important aspects to communicate include specifics about savings, efficiencies, and other positive outcomes.

Testimonials about operational improvements can also help other project teams adopt those practices and participate in making the processes better. Understanding how and why implementing a change will benefit the team and the client will help generate utilization.

The best way to demonstrate support for the operations manual is to display the successes gained from the operational model. If by using the preconstruction planning process or the closeout tool, a manager or superintendent can save 10% in labor expenditures, the firm can quickly create a group of evangelists.

Don't Forget to Bill

While it sounds simple, many project managers struggle to bill on time for completed work, causing delays in payments and cash flow issues for their companies. This is not to say they're forgetting to bill the customer, but rather spending the requisite amount of time it takes to complete the accounts receivable process well. Having discipline around invoicing and communicating with customers about when things are due is critical for the financial health of companies and operationally superior firms pay careful attention to accounts receivable.

Managers — not the accounting team — proactively manage and communicate with their customers to ensure timely payment.

Many firms turn billing and collections into tasks for the accounting team, but that can lead to lower customer satisfaction. Companies can improve client relationships by having project managers or those who are closest to the clients communicate billing, talk through what's included, and make sure the customers are happy when they receive invoices.

Building and maintaining those relationships should be driven by those who know clients best, not by someone in a different department. Generating a customer-centric approach to all phases of the project helps jobs close out cleanly and helps drive repeat business.

Vendors, trade partners, and contractors are paid in a timely fashion. Billing questions are handled with the same respect that contractors would expect from their customers.

Imagine trying to complete a project without your best workers. Nurturing your relationships extends to your vendors, trade partners, subcontractors, and other team members, and includes making sure they're paid on time.

These teams are an important part of delivering quality work and satisfying clients. Also, for smaller subcontractors, your job may be the entirety of their margins needed to pay their own people and keep the lights on. Project managers should be advocates for their vendors and partners. Operationally superior companies understand this, communicate quickly and push to make sure their best teams are paid in full and on time.

Invoicing is a top priority for everyone on the project team.

To get paid, you must bill for work. For many project managers, it is last on the list of tasks since it feels like something that can be pushed. But as we have seen time and time again, one bad billing cycle can do lasting damage to company finances, especially when a collection cycle can be anywhere from 35 to up to 75 days.

Make sure your collections are best-in-class with no long-term outstanding receivables. This is especially important for labor-intensive contractors who need to pay employees and vendors in a timely manner. Don't wait until the end of the job to go through invoices. Take time throughout the process to collect what you're owed.

Continually Review, Assess, and Make Changes

When it comes to being operationally superior, start with an honest assessment of where you are on the points outlined. If you're doing well in some areas, you'll likely have improvements to make in others.

Understanding where you are as an organization should include leadership evaluations, culture, organizational structure, and other reviews to discover where to focus to improve productivity and efficiency.

Once you have a clear indication of where to concentrate your initial improvement efforts, create a plan for how to better those focus areas. Make a schedule and assign who will be responsible for implementation of changes and how the effectiveness will be measured.

Create small groups, led by champions, to develop standard processes and tools, and to test that these will actually produce the expected gains. Then go back to the list and evaluate the next set of processes to be improved. Most importantly, you must measure the adoption of the processes.

Operationally superior organizations constantly evolve and adapt to changing conditions with clear goals and ways to measure progress.

About the Author

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