TOOLBOX

January/February 2026

# Transforming a Company: Spheres of Influence

**By Dr. Perry Daneshgari & Dr. Heather Moore**

A senior leader at a large Midwest contractor described a familiar set of pain points: enterprise resource planning (ERP) process transitions, office space, facilities management, compliance audits, ethics, construction services, centralized vs. decentralized procurement, human resources (HR), and so on.

What happens when a senior executive, mid-level manager, general foreperson, or a highly skilled technician retires or leaves? What happens to the knowledge gained over the years?

Similarly, how do companies onboard new hires and pass on the legacy of what they know to the next generation of engineers, project managers (PMs), managers, and executives?

This article outlines a practical approach for mapping critical knowledge at the individual level, aligning those maps across roles, and using AI agents to reduce knowledge loss and information entropy during transitions.

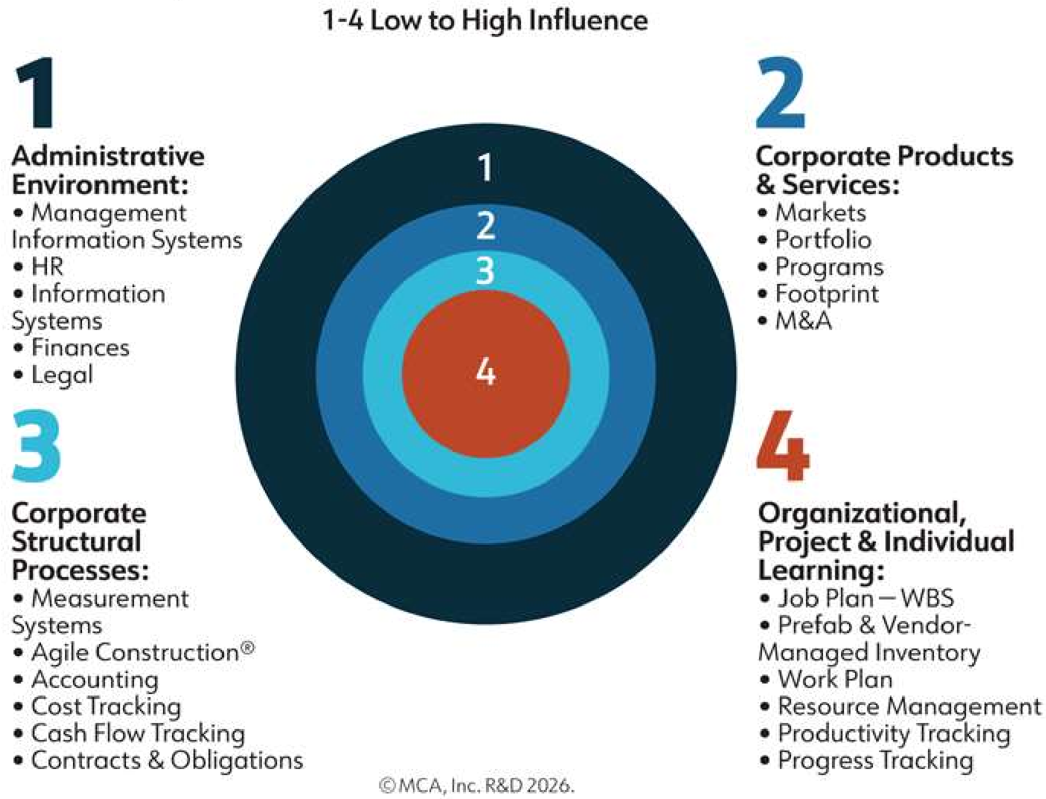
## MAPPING PAIN POINTS TO THE FOUR SPHERES OF INFLUENCE

Based on MCA, Inc.'s more than 30 years of data gathering and working with small and large contractors, executive pain points typically fall into four categories:

1. Administrative environment
2. Corporate products and services
3. Corporate structural processes
4. Organizational, project, and individual learning

Exhibit 1 depicts the categories as the four spheres of influence. With the organization represented as a sphere, the concentric layers show boundaries of influence for each category (displayed in each corner).

Exhibit 1: Spheres of Influence



CEOs and CFOs manage all four corners and are involved with various degrees of influence in each area. Pain points often cut across and influence the entire sphere, which can make them appear in places they shouldn't be, often causing frustration or confusion.

Once leaders step back to understand *why* they are there, it is likely due to their need to do hands-on work until a person, team, or structure replaces that involvement and produces the same outcome — a dynamic explored in a previous *CFMA Building Profits* article about how organizations evolve. [1]

Independent of the organization's condition, mapping pain points to these spheres can help clarify where the legacy still needs to be built. If a CEO or CFO walks away today, these are the most vulnerable areas for the business's success.

The following sections break down each sphere and illustrate how the model can be applied by mapping pain points across an organization's CEOs, owners, and executive leaders.

## THE FOUR SPHERES OF INFLUENCE

### Sphere 1: Administrative Environment

The top left corner of Exhibit 1 is the environment in which the organization lives. It includes socially regulated and accepted agreements that govern how business is conducted at the national, state, and local levels.

A CEO and CFO's working knowledge of these areas is essential to operating a successful business. While they don't have to be experts in the law, they need to understand its intent and practical implications.

The areas mentioned under the administrative environment in Exhibit 1 are not necessarily competitive differentiators but rather minimum requirements for conducting business.

#### *Management Information Systems*

A management information system is typically a required capability. Most businesses don't have the resources to create one from scratch and instead rely on commercially available products and services. Executives typically engage an expert or outside company to design and implement the management information system for their operations.

Hiring developers to build a ground-up management information system may not be the best choice because it diverts the organization from its main business goal. As the company grows, more resources become available to customize systems for competitive advantage, but this may not be the best option.

### *HR*

HR carries the same kind of decision-making requirements. If the company is large enough to carry a separate HR manager and overhead, then laws and regulations should be well understood by executives to make the right decisions.

Most small-and mid-sized contractors do not have a separate HR function, and this duty is often shared by the CEO and CFO, given the obligations dictated externally and the need for direct oversight of a critical resource: *people*.

### *Information Systems*

Information systems, often referred to as hardware and computers, are rarely something that companies build unless they are in that business. The executives' knowledge about available information systems and their capabilities is a vital lifeline in the company's operations.

Setting up the following strategies creates a foundation for continuous operation of the organization with minimal downtime:

- Asset management, including depreciation schedules and expense vs. capital decisions
- Life cycle planning and replacement cycles
- In-house and field applications
- Security, access, and permissions
- Equipment standards and policies

Executives do not have to be experts in this area, but they should help set roles, expectations, and decision rights.

### *Finance*

Every company, small or large, needs to have expertise in finance; however, there are major differences between accounting, finance, and accounting and tax laws and regulations. Companies may not have an expert in all of these areas on their payroll; however, independent specialists can support decision-making when in-house depth is limited.

For instance, the decision to buy, lease, or rent job equipment, trucks, means of transportation, and other assets strongly depends on the organization's structure and objectives.

A C corporation, S corporation, limited liability company (LLC), or partnership will have different tax advantages and implications. Additionally, whether the company is public, an employee stock ownership plan (ESOP), private equity owned, or privately controlled can materially change tax planning and how value flows to owners and employees.

Executives don't have to be experts in all these areas, but they do need to know what questions to ask, such as:

- What will the profits look like?
- Are we in the right business/legal environment?
- Is this approved by the Equal Employment Opportunity Commission (EEOC)?
- Do we have any legal conflicts?

### *Legal*

Legal requirements for running a business and conducting contract reviews are often more complex than they appear at first glance.

Some contractors may consider the help of in-house counsel, though expertise may narrow over time if it isn't continuously refreshed across a wide range of matters. The same dynamic applies to process design and governance.

Specialized knowledge can quickly become stale when it is separated from broader practices, new precedents, and evolving requirements. Only exposure to collective knowledge will allow companies to take advantage of opportunities for managing their legal environment and processes.

Establishing a sustainable administrative environment for the company will leave a lasting legacy from the outgoing C-suite and help the organization weather leadership changes easily.

## Sphere 2: Corporate Products & Services

The top right corner of Exhibit 1, representing the second sphere, is by far the most critical part of the executive's activities.

Growing is different from growth. *Growing* happens to most companies that have successful products or services. But most contractors grow due to a few factors impacting the construction industry and economy.

Growing in construction is the result of higher demand driven by population and GDP growth (the need for more or renewed building and infrastructure) and is *unplanned*. In other words, everyone rises and falls with the tide.

Growth, on the other hand, is a *planned* strategic approach to a company's current and future needs. Growing may or may not happen, even with market forces pushing contractors to grow.

There are many examples of organizations that expanded quickly but struggled to sustain profitable, durable growth over time. Strategic growth requires plans for the items listed in quadrant 2 of Exhibit 1.

### *Markets*

Which markets are available for profitable expansion? In a study that MCA, Inc.

conducted for ELECTRI International, an unbiased market size and share methodology was developed to pinpoint market segments and categories across political and geographic boundaries. [2]

Exhibit 2 depicts the segments and categories that the U.S. government tracks for construction activity. Contractors can use these categories and measure their penetration in a given market.

Exhibit 2: Construction Market Segments & Detailed Categories for Measuring Market Size

| | | **Contracting Market Segments** | | |
|---|---|---|---|---|
| | | **Residential** | **Commercial** | **Industrial** |
| **Type of Work — Detailed Categories** | Residential Buildings — Single-Family | | | |
| | Residential Buildings — Multi-Family | | | |
| | Lodging | | | |
| | Offices | | | |
| | Data Centers | | | |
| | General Commercial | | | |
| | Automotive | | | |
| | Food & Beverage | | | |
| | Multi-Retail | | | |
| | Other Commercial (e.g., beauty, salons, veterinary clinics, florists, pawnshops, dry cleaners, post offices, etc.) | | | |
| | Warehouses (including greenhouses and silos) | | | |
| | Health Care | | | |
| | Educational | | | |
| | Religious | | | |
| | Public Safety | | | |
| | Amusement & Recreation | | | |
| | Transportation — Air | | | |
| | Transportation — Land | | | |
| | Transportation — Water | | | |
| | Communications (includes telephone, television, and radio, distribution and maintenance buildings and structures) | | | |
| | Power | | | |
| | Solar Power | | | |
| | Highway & Street | | | |
| | Sewage & Waste Disposal | | | |
| | Water Supply | | | |
| | Conservation & Development | | | |
| | Manufacturing | | | |

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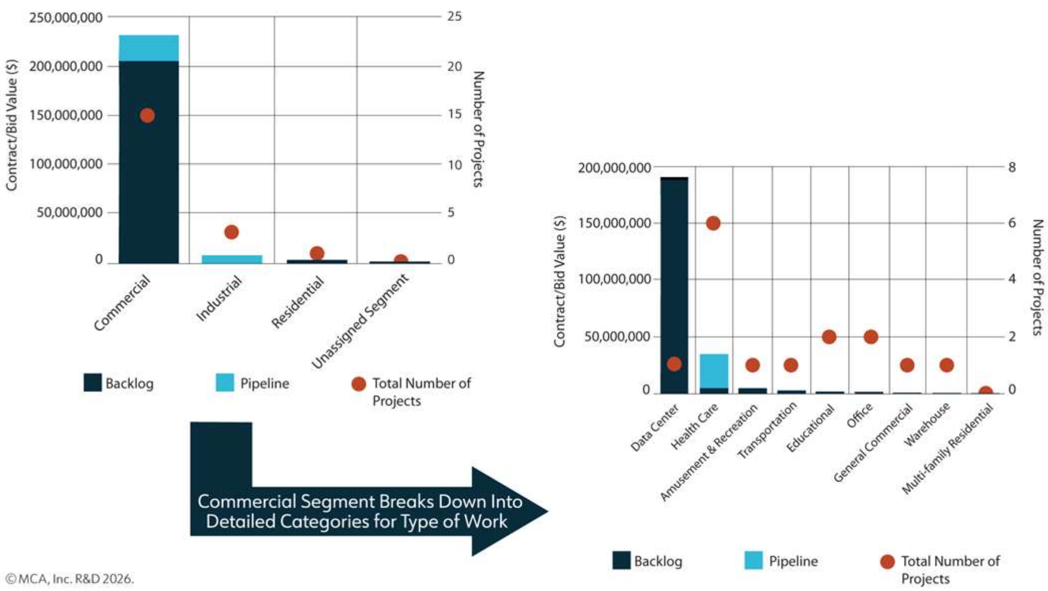
In practice, companies that use pipeline and backlog can book their work accordingly and at any given time once they identify their portion of the market.

Exhibit 3 depicts an example of how pipeline and backlog tracks booked work categories to align with the government's construction put in place (CPIP) categories.

Exhibit 3: Measuring Pipeline & Backlog in Segments & Categories to Align With CPIP Categorization




### *Portfolio*

The mix of work — and the organization's ability to support it — relative to total sales is a characteristic that a CEO can balance competing demands on the company's resources. Balancing intuition with data to keep the work mix aligned with market demand is one of the tacit knowledge areas. This can be transferred to an AI agent for future and more accurate planning.

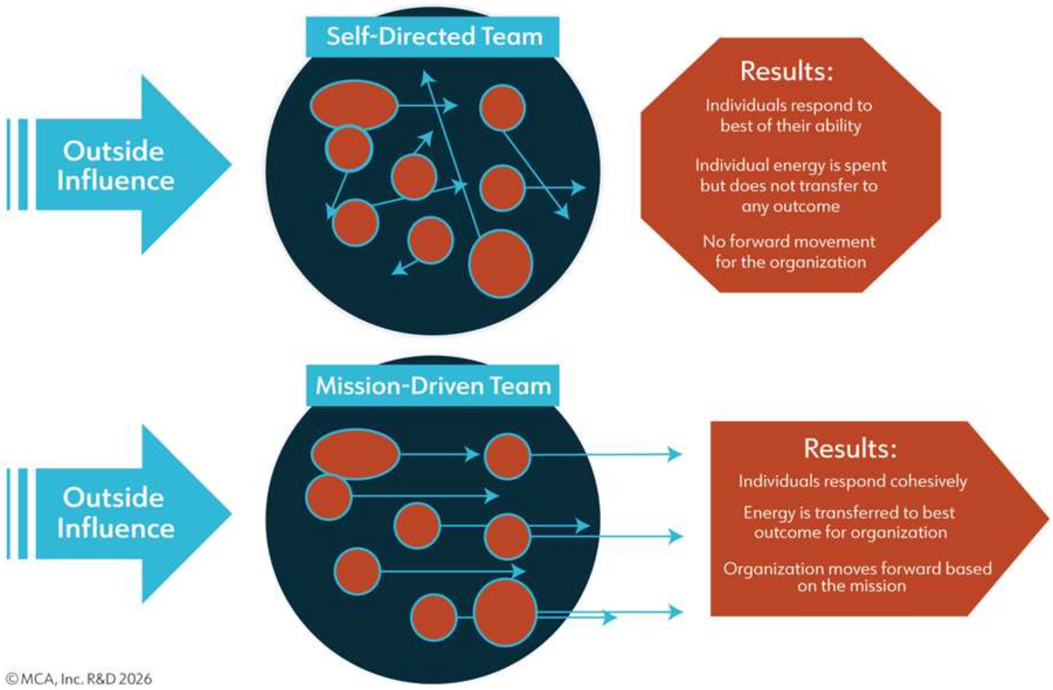
The markets outlined in Exhibit 2 require the balancing act of the CEO to sustain, retain, and grow.

### *Programs*

Aligning the organization's direction with executive strategy requires meaningful investment in support programs such as training, workforce planning, and future talent pipeline development. Without strategic readiness programs to match the company's growth direction, each division, department, manager, PM, superintendent, and foreperson will have their own interpretation of where the organization is headed.

Exhibit 4 illustrates the difference: The balls representing the company's movement in the self-directed team section will not know which direction to go in response to external influences or internal initiatives. The balls in the mission-driven team section show teams and initiatives aligned behind a shared strategic direction.

Exhibit 4: Comparing the Impact of an Outside Influence on Programs & Teams That Are vs. Not Aligned to Strategy

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### *Footprint*

An organization's footprint is where it draws the resources — customers, talent, and opportunities — needed to compete and survive. If many organizations compete in the same footprint, then distinguishing factors have to help them withstand competitive pressure.

Strategic planning for the right footprint is critical to a company's long-term viability. Missteps show up across industries when organizations choose the wrong service model, geography, or operating structure — then years are spent trying to unwind decisions that no longer fit the market.

### *Mergers & Acquisitions*

Mergers and acquisitions (M&A) are another tool in a CEO's and CFO's toolbox. In construction, this tool is used less often — and its success depends heavily on clarity of purpose. Historically, a significant share of M&As fail due to the same issues that exist in other industries.

Culture can derail even well-designed M&A strategies. In practical terms, culture reflects habits, operating norms, and corporate memory — or the absence of it — and those factors often drive integration outcomes.

A lasting executive legacy is a repeatable structure for M&A integration. Exhibits 5 and 6 compare two operational models that have been used for M&A.

The saying goes like this: “Construction is very easy. You get the job, build the job, and collect for it” — this could not be further from the truth in the construction industry. If a company with this belief makes any attempt at M&A, then the results are most likely failure, or, at a minimum, a very expensive endeavor that can take years to unwind.

In the traditional operational model (Exhibit 5), culture remains highly tacit and difficult to transfer into a repeatable operating approach — a “franchising model.” On the other hand, Exhibit 6 shows a schematic of an expandable professional operational model that is relatively easy to follow. Projects come into a corporate memory bank for assessment, which is where pipeline and backlog tracking will help.

Exhibit 5: Traditional Operational Model

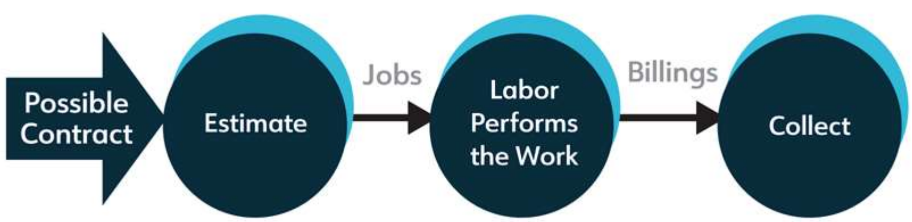


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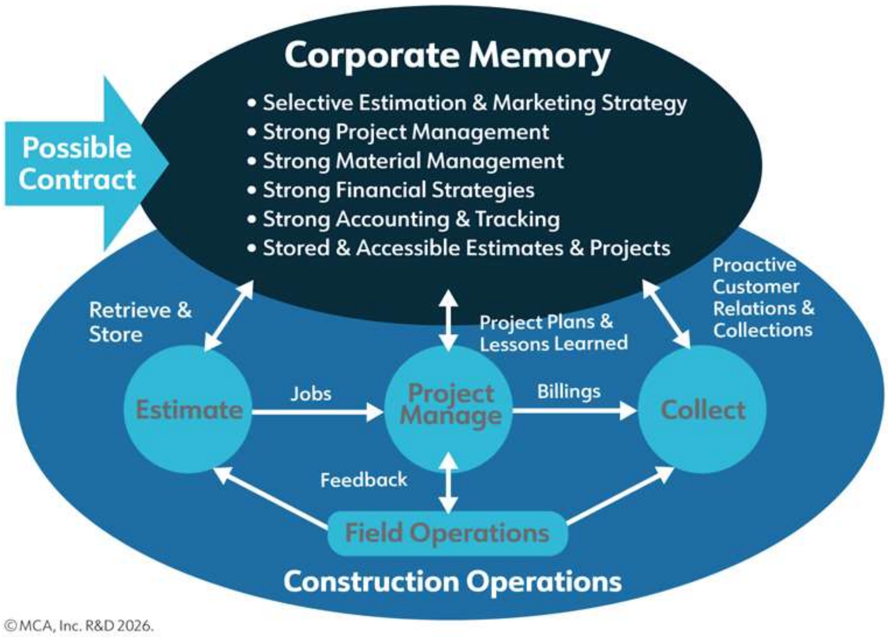
Exhibit 6: Professional Operational Model

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The elements of corporate memory are listed in Exhibit 6. From there, the work will be handed down to estimating, project management, and accounting by following the corporate handoff process and tracking.

Communication between the company's internal structure and the field flows through project-tracking processes and management information systems — such as project schedules; job productivity measurement (ASTM E2691); and tracking projects, accounting, and control (TPAC®). Outcomes can then be compared with the initial estimate, including actual hours vs. work breakdown structure hours planned by field personnel.

An M&A evaluation should confirm the presence of these structures in spheres 3 and 4 — not rely solely on financials and what appears on paper.

## Sphere 3: Corporate Structural Processes

The bottom left corner is where the merger between the outside world of the company and the inside world of how the business runs happens, translating the decisions and constraints of the outer spheres into consistent internal execution. The company’s structure and associated policies are set and policed by the C-suite, with the ongoing requirement to update, maintain, and test that they still function as needed while spheres 1 and 2 continue to change.

Many executives will blame external factors for their own organizational challenges, overlooking their own responsibility to direct and measure within sphere 3.

It is critical for the CEO and CFO to be involved to define and capture the “spirit” (zeitgeist) of corporate structural processes by explaining the why behind them. This is what distinguishes one company from the next and represents the vehicle of how the business will deliver to the customers, markets, and governance requirements outlined in spheres 1 and 2.

Most companies leave this sphere unattended, either doing everything tacitly, handing it off to another executive or manager to define (which will not match or recognize the company’s own history, strengths, and vision), or leaving it to employees to figure it out or do whatever it takes — meaning the organization does not have a system to deliver reliably.

### *Measurement Systems*

Measurement systems define what the company measures to determine if its resources are delivering individually, on projects, and as a business. There are plenty of references for key performance indicators in construction, yet adopting these from your peers can be dangerous if they don't match where you're aiming in spheres 1 and 2.

The CFO's role is critical to not only develop lagging measurements (revenue, profit, cash), but also to develop lead indicators that drive those outcomes — along with the individual behaviors that align with positive outcomes.

### *Agile Construction*

At its core, Agile Construction® provides a method for detecting deviations from plan early — and responding with clear measurements and corrective processes before small issues become major impacts.

Sphere 4 includes elements that support this, but the structure and process in sphere 3 ensure feedback from job flows to and from the corporate memory. It also lays out policies like what size jobs will require a work breakdown structure or how frequently a Single Point of Review (SPR®) is required.

### *Accounting, Cost Tracking & Cash Flow Tracking*

Accounting, cost tracking, and cash flow tracking link construction projects to the lifeblood of the company: money. While these are the world of construction financial professionals, the structure and processes first need to match the markets and customer needs, and then be translated to project management.

If a company's chart of accounts is built for a $10 million operation and the company grows to $50 million or more, what needs to change? If the company decides to pursue more cost-plus, guaranteed maximum price, or integrated project delivery work, what cost setup and tracking are needed for PMs to optimize the bottom line? At what percentage of completion should a PM be expected to be cash positive?

All of these questions are examples of where construction financial professionals can lead strategy and structuresetting to support execution in spheres 2 and 3.

### *Contracts & Obligations*

How much risk should be controlled vs. left to chance? Contract review is a challenging process, and may be high risk if left up to individual PMs.

A contract review process and policy can define expectations — even without an attorney on staff. This is a great example of threading between sphere 1 (what is the legal environment the organization chooses to operate in), sphere 2 (what market-specific factors will be at play depending on the company's footprint), and sphere 3 (how will the team review and manage through these on every project). These decisions can be captured via an AI agent, but the structure must be defined first.

For example, does the organization have a standard approach to schedule change management? Does it have a standard process for recognizing, estimating, communicating, and tracking change orders? A simple contract review checklist for the top 10 risks and concerns can help translate CEO and CFO expectations into a standard process.

## Sphere 4: Organizational, Project & Individual Learning

The bottom right corner, as the "core" of the sphere, is often the least visible to the CEO and CFO, yet it is central to how the organization operates.

While completing Short Interval Scheduling (SIS®) may feel like a "chore" as a process within Agile Construction®, it helps to measure and quantify the obstacles that block scheduled work from being completed on a daily basis. This is often noted by CEOs as the most valuable part of the system.

Sphere 4 houses the day-to-day operation and is where executives can get pulled in if the sphere is not consistently managed and made visible with the processes from sphere 3. It is also the source of learning and feedback to the memory bank so without tapping into the experiences in sphere 4, a company may as well have amnesia and will leave outcomes to chance (good and bad).

Many of these processes are covered in detail in prior *CFMA Building Profits* articles and include:

- Job planning
- Externalizing Work® using prefabrication and vendor-managed inventory
- Work planning
- Resource management
- Productivity tracking
- Progress tracking

## CONCLUSION: WHAT MATTERS MOST

A CEO's or founder's plan often reflects what legacy means in practice. If the CEO or any C-suite leader has only personal gain in mind, then the answer is simple: building a legacy system may not be a priority.

However, if the executives care about the longevity and sustainability of the organization's life, then a litmus test can help identify and organize strengths and weaknesses. While the company is organized into the four spheres explained previously, it is the CEO and their personal drive that defines how the sphere moves and what it is made of.

When there is a transition, the person and organization go together, yet their individual chances of success can be evaluated separately.

A CEO litmus test, published in an earlier issue of *CFMA Building Profits,* [3] allows leaders to place themselves in a spectrum of manager vs. leader across four distinct categories: community, planning, business, and personal.

In the case of a CEO transition, this litmus test can compare individuals (current CEO vs. incoming CEO) and see the differences in their personal drive that could ultimately shift the organization sphere in its entirety.

Independent of the CEO, the organization's concentric spheres need to be studied for what is in place today. Within each sphere, identify the current state, and how much is dependent on the current CEO's involvement, experience, and decision-making.

From there, prioritize the elements that may need to be mapped to capture why and how the CEO makes key decisions.

The logic of their decisions can be captured with an AI agent to represent the CEO's legacy, so the successor will always have that brain and memory as part of the transition.

Based on results from MCA, Inc's CEO Forum, CEOs, presidents, and executives can be seen across the spheres of influence based on their reported pain points. Some may operate primarily in sphere 1, which often reflects a successor already in place and an intentional transition out of day-to-day operations, but others may remain active across multiple spheres, including sphere 4, which can signal gaps in structure, staffing, or process ownership that pull leaders deeper into execution.

If a transition role creates the feeling of being pulled in every direction, categorizing discrete issues into these spheres can help. When multiple pain points cluster in a single sphere, it often indicates a structural gap. That clarity can also show where focus can be tightened, and where a successor or supporting leader can step in without starting from scratch.

Let the legacy guide continued learning and success. Even when leadership style changes, the organization remains its own entity with history, foundation, strengths, and weaknesses. Preserving corporate memory and building repeatable systems across the spheres helps protect that continuity.

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## Endnotes


1. *Daneshgari, Dr. Perry. "Founder's Transition: The Time Is Now." CFMA Building Profits. January/February 2023.* ***www.cfmabponline.net/cfmabp/library/item/01022023/4079046***.

2. *Moore, Dr. Heather; Wilson, Michelle; & Daneshgari, Dr. Perry. "Market Share: Developing a Standard Format to Calculate Market Share." ELECTRI International. February 2007.* ***electri.org/product/market-share-developing-a-standard-format-to-calculate-market-share***.

3. *Daneshgari, Dr. Perry. "Founder's Transition: The Time Is Now." CFMA Building Profits. January/February 2023.* ***www.cfmabponline.net/cfmabp/library/item/01022023/4079046***.