



# THE HUMAN SIDE OF CONSTRUCTION

There is a strong correlation between human behavior and financial performance.

## The Squeeze

It has been a decade since the credit crisis, and the construction industry has enjoyed an uptick in the availability of work in 2017 and 2018. However, materials and labor costs are on the rise, and numerous industry experts caution on continued material escalations and skilled labor shortages.

These rising costs, combined with continual downward pressure on construction project budgets, cause contractors to be squeezed in the middle. To further exacerbate the Squeeze, there is a healthy supply of firms, and some firms are slow to adjust their prices, which challenges those that maintain margin discipline.

Historically, there are economic cycles of peaks and troughs every seven to ten years, and logic would suggest another economic constriction within a couple of years; I also suggest looking at the correlation between economic cycles and presidential elections. Some economic experts point to a flattening of the yield curve as another key data point.

Although the economy and the price on bid day are outside of your direct control, you can navigate the Squeeze and protect profit by focusing on the human side of construction: employee retention and passion, and strategies for the corporate cycles among which construction companies move.

By prioritizing “soft” yet actionable items, you will naturally produce efficiency and mitigate risk.

## Human Side of Construction

Effective leaders pay attention to the human side of construction, because a company's financial performance is a direct reflection of the **emotional maturity, passion, and values** of its employees.



- Employees' **emotional maturity** dictates effectiveness in negotiation skills, conflict resolution, principle-centered decisions, accurate forecasting, and the organization's overall energy level.



- **Passion** is intensely and enthusiastically pursuing a goal, which is why a purpose statement is so important to define within your company. Passion is contagious.



- When a company is passionate about its **values**, it promotes a healthy atmosphere which produces a positive impact on operations.

When people have collaborative purpose, wonderful companies emerge regardless of economic conditions.

## Employee Retention

Well-managed firms experience low turnover. With wage pressure, employee retention is less costly than recruitment and should take front and center stage.

(For more information on employee retention, be sure to check out Love 'Em or Lose 'Em: Getting Good People to Stay.<sup>1</sup>)

However, the supply of labor in the construction industry shrunk considerably during the recession due to job displacement, an aging workforce, and a deficiency in job recruitment. Women represent less than 10% of the construction industry workforce,<sup>2</sup> and some studies suggest that millennials represent less than 7% of the construction work force;<sup>3</sup> these are two demographics to pull from for the growing demand in the labor force.



<sup>1</sup> Love 'Em or Lose 'Em: Getting Good People to Stay. Beverly Kaye and Sharon Jordan-Evans. 2014.

<sup>2</sup> <https://www.nawic.org/nawic/statistics.asp>

<sup>3</sup> <https://www.constructionexec.com/article/how-millennials-have-shaped-the-construction-industry-for-better-and-for-worse>

# Corporate Cycles & Strategies

There are three corporate cycles among which construction companies move: the Recession, Maintenance, and Growth Cycles. It is critical to develop a strategy for each of these cycles and provide a blueprint of the infrastructure for your organizational chart at various stages of revenue.

By executing these strategies, you will eliminate blind spots, reactive management, and resulting low morale and be able to proceed with confidence regardless of economic conditions.



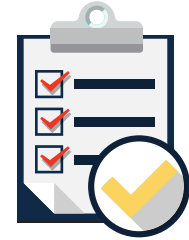
## Recession Cycles

The Recession Cycles are the most challenging, as construction can generate fear and low morale within the organization. It is imperative during these cycles to maintain effective communication, consider blind spots, and determine pragmatic steps forward.



## Maintenance Cycles

Maintenance Cycles are where the most profit is produced, internal policies are perfected, and employee coaching and development occur. However, Maintenance Cycles are longer than the other two cycles, can generate boredom, and challenge even the wisest leaders, who are naturally inclined toward growth, expansion, and innovation. Employee bandwidth is stretched during Recession and Growth Cycles. In the Maintenance Cycle, there is time to shift your creative focus on improvement in efficiency, technology, processes and client communication. The Organization can concentrate on enhanced productivity and learn to execute flawlessly.



## Growth Cycles

Growth Cycles are the most exhilarating. New relationships and experiences are the order of the day, leadership is in its natural state, passion is contagious, and employees are energized. However, individual responsibilities expand during these cycles and the timing of infrastructure additions to provide relief generally lags behind. As a result, companies may end up personnel-poor and return to a Maintenance Cycle to absorb the growth. Balancing growth to maintenance is a key strategy.

## Wrap Up

As we move into 2020, prepare your construction cycle strategies in advance for whatever comes our way economically. You take the emotion out of the equation when you prepare in advance. Include in your financial forecast the effects of the Squeeze. It will take some time for the market to adjust to this bottleneck.

Devote a significant amount of your time to the human side of construction. Labor retention is a non-issue for organizations that promote emotional maturity, passion and values. A well-managed firm produces a great scorecard. Profit is a Result!

## About the Author



M.A. Surety is a surety agency and consultancy for the commercial construction industry located in Mooresville, North Carolina. Founder and president, Martha-Ann Marley, is a North Carolina native and graduate of N.C. State University. She began her career with a national insurance company as a commercial bond underwriter and has since held various management and executive level positions in the industry.

Marley serves as speaker and teacher at commercial construction seminars and conferences throughout the country. She has authored articles for publications on a wide range of topics designed to help contractors achieve and maintain maximum profitability.

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