

"It's More Critical Than Ever That Every Business in This Industry Has a Solid, Intelligent Business Strategy!"

Brian spends a lot of his time tracking and studying trends within the construction sector - and the forces outside of it - that are transforming the design and construction industry in Canada. In this session at Construct Canada 2011 he talked about just a few of those, and the critical need for every business to develop a winning business strategy to seize the opportunities, and manage the risks, that these changes bring.

He explained how a well-crafted strategy helps leaders maintain the focus on their ideas and dreams, ensure consistency in service delivery, and achieve sustained profitability, personal and professional fulfillment - in part by *differentiating* their business in an increasingly competitive marketplace.

Brian noted that Siemens provides an illustration of a huge, multi-national corporation that recently recreated its business strategy to focus on sustainability and "green" and abandon nuclear energy, a previously lucrative business line.

He warned that there is no '*silver bullet*', no single prescription, that will lead every business to success.

Instead, the leaders of businesses of all sizes need to understand the forces that are re-shaping this sector of Canada's economy, then carefully analyse their potential impact - positive and negative - on their own enterprise.

Brian said a successful business strategy responds to four key questions:

1. What do we do?
2. What value are we creating and delivering?
3. For whom do we do it?
4. How do we *excel* - be the best - at doing it?

Those in attendance were urged to "*step outside of their comfort zone*" to explore new things they can be doing, and new ways of doing them.

Brian stressed that he was only providing a sample of some of the changes happening ... and about to happen ... in the industry. "*When I work with clients helping them develop their strategies, we usually spend a day-and-a-half or more doing this.*"

Some of the things he talked about included:

- Sustainability and "green" - noting that despite the roiling markets and uncertain economy, a recent poll showed that 52% of Canadians feel that protecting the environment is more important than fixing the economy. The industry's customers are embracing LEED®, so Brian recommended that businesses consider ways to "go beyond LEED®", for example, by seeking *Living Building Certification*. That is based in part on "net-zero x 3": no water brought in from off the site; no energy imported from off the site; and, no waste exported from the site. He also mentioned innovative ways of financing sustainability, including retrofits of existing buildings. *"How can your business benefit from the growing emphasis on sustainability?"*
- Despite the recent 'stimulus' there is a huge - and growing - "infrastructure deficit" in Canada. Real estate AND heavy civil infrastructure. Brian said he's hearing numbers well in excess of \$200B. The good news ... it must be addressed. The challenge ... how to do that. *"Expect lots of innovation in project delivery, and consider how you can position your company to respond."*
- Population demographics will have a huge impact. Aging, immigration, urbanization. It will affect demand - *"We're going to need new kinds of infrastructure, and we'll need it in different places."* It will affect supply of human resources to service that demand. That said, no one is quite sure how demographics will affect supply of 'talent' given the trend of so many to say they plan to work beyond retirement. And, there is also the generational differences to consider - *"The folks I talk to in their twenties are NOT interested in putting in the crazy, 60-plus hours a week that we did."*
- Rapidly-evolving technologies must be an important component of any business strategy. Building Information Modelling. A recent article in *Architect* recommended that despite the decline in business, now is the time to invest in cutting edge software and training, noting that the emergence of cloud computing could reduce the investment necessary in hardware. The interest in sustainable building is leading to huge advances in software to model and manage energy use. New technologies to be used in the actual construction of buildings are constantly being announced and marketed - designers and builders need to figure out how to keep up with all of these changes ... and leverage them for success.
- Others are exploring major changes to the processes of construction, for example, employing new prefabrication techniques. *"When you drive by a new subdivision, how many roofs are being 'stick built'. We've been using prefab trusses for years and years - why stop there?"* The Museum of Modern Art in Manhattan staged a special exhibit of concept prefab homes in 2008, called *Home Delivery*. [added note: Safdie's *Habitat* in Montreal is now a heritage site.]
- Business leaders must constantly be watching government policy for the impact it will have on them. Tax structures. Planning policy. Inter-provincial and international trade agreements. Environmental policy such as Kyoto, carbon tax, 'green energy', electricity pricing. Health care. Education. These are just a few examples of policies that create opportunities, or, especially if not coordinated into a business strategy, new risks.
- And, *"Who has figured out how social media will affect our industry?"*

- Brian spent a lot of time talking about major changes happening in procurement and delivery of infrastructure, and some of the forces driving those changes.

For example, frustrated by poor performance from the industry on budget and schedule, owners are attempting to transfer those and many other risks to designers, builders, facility managers and others. The design and capital construction costs of infrastructure are very small compared to the life cycle costs to maintain and operate it, and owners want to shift risks related to those life cycle costs to the service providers. A Public Private Partnership is an example of a project delivery model that is often seen to be effective in doing that, where the risks related to design, build, finance and maintain are contracted to a private consortium.

The industry is also looking for change in project delivery. *"What is the average profitability of a Canadian General Contractor? 1% to 3%. Who would bother?"* That number is, of course, based on construction values. For consultants, the 'rule of thumb' is that you're doing quite well if your profitability before taxes reaches 10%.

A big part of that problem is an industry that is still doing things as it traditionally has. Productivity in other sectors has advanced significantly over the past 50 years, while that in the design and construction sector has actually declined.

Studies show that 30% to over 50% of the energy and resources we put into design and construction is *wasted*. For example, the owner engages a consultant to design the project. Consultant designs numerous solutions, reviews with users, and redesigns. Reviews with the owner ... and redesigns. Reviews with authorities. Redesigns. The construction cost gets estimated ... it's over budget ... redesigns. The project is put out to bid ... over budget. Reverse engineer.

More and more in the industry and among its customers are seeing the potential advantage of *Integrated Project Delivery* where all of the key participants in the project are *"teamed"* at the very outset. Designers, owner, contractors, users, facilities managers. They share the risks and the rewards in pursuing the mutual objective of creating the best possible project outcome. They execute a multi-party contract that mandates open, transparent accounting; consensus decision-making; and, even "no sue" clauses. They contract that they will not sue each other. If something goes wrong, the team works together to solve it.

"I've been watching the evolution of Integrated Project Delivery and talking about it for many years ... and it's working! On real projects!"

In fact, groups are now working to apply principles from lean manufacturing to the design and construction of infrastructure. (*Think Toyota ... just in time delivery, maximize value while minimizing waste*) Brian spoke of a conference on *Lean Project Delivery* he attended recently in Buffalo, NY, presented by the Lean Construction Institute and the Construction Users Roundtable (CURT) in the U.S. Case studies of actual projects proved schedule savings of 20 to 25%. Cost savings a bit below that. Huge improvements in build quality. Major advances in construction safety. And lots more.

[Lean Project Delivery was the subject of Brian's second session at Construct Canada this year, working with Dick Bayer, Interim Executive Director of the Lean Construction Institute. Watch the Strategies 4 Impact! site for that report!]

- Finally, Brian talked about the consolidation that has occurred in the industry, saying that we're going to see happening more and more. And not just in the form of like businesses merging, or acquiring one another. Expect to see construction firms, for example, structuring themselves to provide design, facilities management and other services ... 'one stop shopping'. He quoted Geoff Ellis, CEO of Ellis Don, at a recent conference. "... everything about the structure of the Canadian construction industry, internally and externally, is going to change." ... and ... "Everyone is going to continue to invade each other's space."

Brian wrapped his session by again urging business leaders to "get out of your comfort zone, study the trends that will affect our industry, and use that knowledge to create the intelligent business strategies that will help you succeed and profit."

It's never been more critical!

[Click here for Brian's PowerPoint slides for this session.](#)

The management of Construct Canada invites Brian to speak every year at Canada's largest construction conference.