FAMILY BUSINESS
I N S T I T U T E

Blog Transcript – How Do You Recession-Proof Your Construction Firm?
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Good morning, everybody. Dennis Engelbrecht, Digging Deeper.

This morning, I want to talk about productivity. Particularly in relation to ... I'm sure there's a lot of recession talk. There's certainly a lot of recession talk in the news. But I think we're worried that there might be a tightening coming in our industry. And despite most of our leading indicators still looking very good, that's certainly a possibility. One of the things that we certainly hope if things get tighter is that we can tighten things up in our own business, which means greater productivity. Productivity by definition is basically output per man hour. So same number of people doing more, or a smaller number of people doing the same, essentially. It can work either way, but that's increased productivity.

In a recession, of course, we have less margin coming in and tighter margins, and probably less revenue dollars and margin dollars coming in. So, it's natural that we might feel like we need to operate a little bit tighter in our business. But how do we accomplish that? And when do we do it? When do we cut back? I mean, ultimately, we want to wind up with a team of A players that can work together, and work together well, and that hopefully produces the best productivity.

Let's think about the elements of productivity. First of all, there's job design, job duties, the role itself. Having the right person in the right seat is a common term. So that job design and duties need to fit a person's skills, abilities, and interest. It could be efficient or inefficient. If you have somebody doing four unrelated things that causes them to lose focus on one thing, that can be bad as well. That's a problem sometimes when we let people go and we consolidate jobs, we end up with people with jobs they don't know well, don't like, or don't fit with the other things that they're doing. So, job design and job duties are very important.

Right along with that is load management. What do I mean by load management? Well, if the workflow goes down, everybody's load goes down. So now everybody maybe has some excess capacity. So, load management would mean I either bring on more capacity or I have fewer people to get to that ideal load. Unless I've decided in advance that I'm going to ride with this lower load. That's okay, too. The other side of that, though, is too much load. When people get too much load, they oftentimes operate in effectively. So, piling three extra jobs on a project manager, for example, or trying to have a superintendent cover two jobs an hour away from each other, that could be the road to disaster. So, you could lose a lot more money on those jobs than you'd lose in wages by paying people to man them properly.

That's the other side of load management, is making sure you don't overload people. Sometimes when we cut back and we try to get efficient, we do that, but we don't get the results because those people can't perform to the level they've normally performed. So, load management is key to maintaining productivity. There is a right place, and it's not always easy to find that, and always easy to keep it there, because a project comes on in a big single ball. It isn't like we have all these little things so we can load incrementally. A lot of times we load in big increments. So, it is hard to do, but at the same time, you should be very conscious of it.

Next thing is technology. The right software, the right hardware, well utilized. I hesitate to say fully utilized because sometimes fully utilized isn't well utilized either. You want to be getting the best out of that software and hardware is basically what you're looking to do. There's an intersection there with capability. We also need, with the right hardware and software, the right set of skills and training for that hardware and software to actually work the way it's designed. I mean, you can give me a computer, but if I hunt and peck, and type at 11 words a minute, I'm not going to be as efficient as somebody who can book it at 50 words a minute. Whether it's writing emails or doing whatever, that's creating in any efficiency to make me type when I'm not capable.

Now, I certainly could be trained. The same goes with the phone and the thumbs, or whatever. I'm much better, by the way, with a keyboard than with my thumbs or fingers. I'll keep it that way. But think about that. So, it's the right technology, but it has to be matched with the right capabilities to use that technology effectively. That takes training.

Next thing with productivity is morale and attitudes. You can have the same group of people doing something happy, with a goal, getting at it, and you could have that same group moping, mad, et cetera. You might have a 70% difference in productivity with the same group of people based on their morale and attitudes. So, again, as we hit a recession, you've got to be careful with your management decisions. If you create management decisions that drive down morale and attitude, you cannot cut far enough or fast enough to overcome what bad morale and attitudes will do to your productivity. So, whatever you do, whatever decisions you make about wages, benefits, letting people go, you better keep morale and attitudes in mind. By the way, they're going to react negatively to any of those things. So, then you have to have a plan for recovery of how recover those morale and attitudes, despite the hardships that are present.

Next, there's logistics. Very simply, getting the right tools, the right equipment to wherever they need to be at the right time with the right people to utilize them. So planning, coordination, all of that is critical if you want to be efficient. Again, you got to be careful as you make cuts, because if you cut out your, let's just say, yard manager position, and all of a sudden people are not getting the right tools, product, et cetera, to the job site at the right time, you've just shot yourself in the foot again.

Now, back to management. Back to each of you, leadership and management, you probably have the biggest effect of all on productivity. How is that? Well, it's in how you manage all of the things I just mentioned. So importantly, it's in how you organize, motivate, getting the resources you need, overcoming obstacles, making sure you have the right people in the right place to do the job. Planning, all right, instead of recovery, spend the time upfront to plan. Make sure that you've got all of those things I just mentioned in effect.

And then, finally, communication. You've got to be communicating. People don't all know exactly what to do. So, you've at times got to tell them, encourage them. Again, give them the information they need to be able to do their job well, and give them the feedback they need to achieve success. With that, by the way, something that's oftentimes hidden is you want to achieve productivity. If every decision has to come back to you, that will not be productive. So, you have to give responsibility, and you have to give authority if you want to achieve the highest productivity.

So again, I think we're facing a time where productivity is going to become a focus again. It's going to be key to success. So, good luck out there. Make sure you plan for that and do a good job with it. Dennis Engelbrecht, Digging Deeper.