

Hello, everybody. Dennis Engelbrecht with The Family Business Institute.

Today I want to talk about success, and hopefully most of you out there have had a lot of it over the past 10, 12 year run, that construction's really been on a winning streak and that winning streaks had growth as well as good profitability, so hopefully you've partaken in part of that. But what I wanted to talk about today is, perhaps, the downside and in particular, the downside of abundance. Abundance, when you have plenty of everything, you have enough of everything and maybe you even have too much in a sense, and the effects that, that can have on you and you and your business. So, some of the issues that come with abundance and a mindset of abundance might be jealousy, complacency, arrogance, a lack of understanding, I guess, of the competition. And sometimes you might even take undue risks or exhibit pure stupidity.

Abundance can possibly bring on all of those things. So, let's talk a little bit about those because there can be an effect on both your customers, your employees, your partners, and even yourself, and even the company's strategy in different ways. So, let's talk about jealousy, first of all. So, a mindset of abundance, and we've made a lot of money and we've accomplished a lot of things. We have big balance sheets, we're doing bigger projects, and sometimes people down the line think that maybe they should be getting a bigger piece of the pie, and that can be one of the problems with abundance. And it could be your partners or just employees. You may have an employee that's worked on a \$60 million project now, and prior to that, you only worked on a \$40 million project. Of course, they're the same project now except for inflation maybe.

But he may think, "Well, now I should be paid much more, or I should get an advancement or something else because now I've done this." As partners, you've got a lot of profit, and how do we divide that up? Should we be retaining profit, or should we be distributing profit? And your partners may be at a different place in life than you are. Some of you have all you need, and others are still trying to pay off their stock or still trying to get the house they need for their family and things like that. So, when you have abundance, those sort of cracks, if you will, potential cracks tend to come out and show themselves. Complacency is an easy one for any of us because we've had enough winning, now it's easier to just sit on our laurels and maybe not be as motivated as we could be, and that can flow down into the organization as well.

Certainly, if the top leaders show that complacency, it can be catchy like everybody getting the next illness or something throughout the company. But complacency could be that illness if you let it creep in. Arrogance, when you're winning more, you're losing less, and pretty soon you get to thinking that you can't lose, and there's a certain arrogance that can come with that and can creep in, and of course, that arrogance can lead to bad decisions. It can lead to bad relationships. All of a sudden you think you can do no wrong and you must be in the right in every conflict and things like that, so arrogance can creep in with that mindset of abundance. Taking undue risks. The thing about construction is bad jobs can define your company for a long, long time, and bad jobs can lose an amazing amount of money.

We see this time and time again where let's just say it's a \$25 million job that loses \$10 million. Yes, that is possible, and you may feel like you're in a position of abundance because you're making three, four, 5 million a year, but just one bad decision on going into a job or some things going wrong that are, perhaps, out of your control, multiplying on top of that and the next thing you know, maybe all that complacency and arrogance and taking undue risk comes with some terrible consequences, so I think those are all things to look at. And strategically, I love asking the question, if you had all the resources in the world, what would you do, or what would you do differently in terms of strategy? The interesting part of that, in the last several years, people look around the room and they go, "Well, I have all the resources I need to follow any strategy that I can almost think of." And I think that's largely true, but sometimes we still don't take those steps to actually pursue those strategies.

Maybe they're too hard or they require too much work, but the ability to think about abundance in that way and to be able to take some minor risks or changes in strategy that'll help you out into the future could be good for your company,

so always a good question to ask. So, let's talk about the downsides of a mindset of scarcity. And what's interesting is I've had some contractor clients out there that are in abundance as I would view it, but they still see themselves in scarcity or in poverty. They still don't have enough money to, again, let's go back to the last question. If you had all the resources in the world, what would you do? Well, if you don't have all the resources, you might be limited in the amount of things you can do. But by asking that question surprisingly, in construction, it's relatively easy to fund most strategies.

Usually, it is not money that is holding you back, but it could be some other resources. Your organization might be too constrained or something like that in order to take a particular road or particular initiative, a particular chance out there in the market. But if you have a mindset of scarcity, it does tend to lead sometimes to not taking chances, maybe a fear of change, lack of change. Also see a certain amount of combativeness, I think, when you have that mindset of scarcity and that combativeness can come in construction, say we're arguing over a change order, whether that be with a customer or a subcontractor, or we're trying to get the last penny out of the supply order, and sometimes we become penny wise and pound foolish. We're fighting over pennies when there are relationships and much bigger things out there to work toward and to fight for, but fighting over the little things almost become sport when you get into a mindset of too much scarcity.

I think when you have a mindset of scarcity, you also can tend to overstress your resources. We maybe don't hire the next person. We maybe don't buy the next piece of equipment that we need. We end up spending more money maintaining old stuff than we would if we were buying new stuff and throwing away the old stuff in cases. And that, again, can be part of the mindset, but overstressed resources in terms of people can cost you a lot more money if you don't have, let's say you pile on the extra job or two onto your project manager because you're limited in the number of project managers. Well, I can tell you from my experience, that's when some failures happen on projects because they don't have enough time to keep doing the priorities, which are important to keep the projects moving and keep them from project failures, so all of those are issues that can come from the mindset of scarcity.

So, whether you're actually in abundance or you're in scarcity, and I certainly hope it's probably about a 90/10 ratio, if not better at this point. It's important to understand where you are and to look out at some of those warning signs to make sure that your mindset is not working against you, and making sure that your mindset is also appropriate for the situation. Really if you're in abundance and you're acting with a mindset of scarcity that's really not even authentic in your organization, they may not see it that way. They're wondering, "Why we can't actually stop pens or something like that when we're making millions of dollars," and that would be a good question. So sometimes we can get in a mindset that's not appropriate, that is hurting the company going forward, so think about that. Think about your mindset, where you are in terms of abundance and scarcity, what that means for you, and are you letting any of the issues regarding that creep in and hurt your organization.

Again, Dennis Engelbrecht, Family Business Institute, hope to see you soon.