

Good morning everybody, Dennis Engelbrecht with The Family Business Institute; Digging Deeper.

Today, and really for the next few weeks, I want to talk about what we'd call maybe *The New Abnormal*. You may remember a few years ago we used to talk a lot about the new normal. Well, the way things are going in construction today with supply chain disruptions and crazy pricing changes, it really is the new abnormal and we're really not expecting that this craziness is going to end anytime soon, so just want to talk about the main ways to sort of navigate through this new abnormal. The first thing we want to talk about today is pre-construction. This is really where a bulk of the problems are hitting pricing is up 20% year over year for overall inputs to construction, and that's put a great challenge on budgets and getting projects to happen.

So in that pre-construction area, whether you're a trade contractor or a GC, there are a lot of challenges in making that project happen, and keeping your customer relations really through this, because it's challenging on your customer to get accomplished what they want to get accomplished, and challenging for you to get accomplished what you need to get accomplished. So there really are no magic bullets here, obviously each situation is different and depending what kind of structure you're building, the pricing impacts may be coming from one area, maybe it's steel for one, and it's more from wood for another, or some other pricing or supply impact. But in either case, really communication is clear, or is clearly one of the keys to getting through this and communicating these pricing changes as they're occurring, making sure your customer is kept abreast as these things change and in a lot of cases, as we go downstream, your suppliers are only holding prices for a couple of days or a week, or maybe as long as a month. But they're changing rapidly and if you don't lock them in, they're going to change again.

And communicating this upstream to your customer so that they'll hopefully, number one, pull the trigger on things and get them going so you can lock them in, or at least, number two, be ready to make the adjustments as they come down the road and the adjustments are just coming one after another, and if they surprise your customer, you have the chance of perhaps losing the trust or losing the relationship, and you certainly don't want that. So being able to communicate up front, keep your customer informed, I don't even know if this is possible anymore, but soften the blow that is coming to them, that's critical.

The number two thing that you can do in pre-construction is really about creativity, and as I hear the stories from all the clients during our spring round table meetings, the creativity is really showing up as the difference maker up there. Folks are changing structures, going from wood to metal, people can't get joist and decks so they're looking at different structural forms to make that happen, different replacements, they're pricing different replacements. And this takes a lot of creativity, first of all, you got to look at and understand what pricing is for the different materials, but you also have to understand the different structural options or the different treatments that you can use for siding, or cladding, or all of these different things. So, it takes a great deal of knowledge. And to get that creativity, of course your pre-con person has to be extremely capable. Hopefully there's a lot of collaboration with your project management, even your field leaders, somebody, in your company has this knowledge and today we really need all of that knowledge applied to be able to be creative.

And for those of you who are company leaders or leaders of your department, make sure you're looking down because if you're putting this in the hands of, I'm going to use the word estimator, somebody who really can only price what is, and doesn't have the knowledge or creativity to bring to the situation, well then you better bring the company leaders who do have that knowledge and creativity in order to keep these projects alive, try to get them launched on time, try to get a satisfactory price and project for your customer.

So again, I think pre-con is really the key to finding the solutions for your customers in this crazy abnormal construction world we're now in. So, bring the creativity, bring the collaboration, and hopefully you'll find success. Again, Dennis Engelbrecht, Digging Deeper. Thanks for tuning in.