

Hi, everyone. This is Wayne Rivers at Performance Construction Advisors, where *We Build Better Contractors*. There's always Boot Camp. Get your folks signed up for the upcoming Boot Camps and get in touch with Charlotte and she'll get you the information you need.

This week I want to talk about what corporate directors think. So, a report came out from the big accounting firm, BDO, and it's a look ahead at 2024 and beyond. So, I forget how many thousands of corporate directors they talked to from medium size to big to small businesses, but all over the business spectrum. I learned a new term, VUCA. This is what directors have to worry about, VUCA, volatility, uncertainty, complexity and ambiguity. VUCA, who knew? That's something we all have to worry about now, gosh. All right, so now what about this is important to you? Well, we all want to look into our crystal balls. We want to know what's going to happen. We want to know what the future holds for us and our people and our companies, and the number one concern in this particular survey was layoffs.

What's the business cycle going to do? Are we going to have a recession? Is it going to be a soft landing? Is it going to be like 2007 and '80? People were worried about the business cycle. If you've been paying attention to the news, you've heard a lot of the big-name brand companies have been introducing reductions in staff, and they're worried about their expenses. So, they're already planning, it seems like, for maybe a little bit of a business slowdown, so keep your eyes peeled for that. They reported that the top threats to their businesses were number one, inflation. Now, separate article I read from it was an interview with the CEO of Warburg Pincus, which is a gigantic venture capital company, unbelievably successful, the CEO of that company said that inflation is the new normal. We haven't really had to deal with inflation since, God, it seems like since I was a young man back in the '70s and '80s when inflation was a really big deal, and it's been defanged for the last few decades.

But this particular executive says inflation is going to be a fact of life for us for the next several years. It's not going to be transitory and just go away like that. He said one thing that was fairly startling, and that is that 30% of public companies don't have sufficient cash flow to handle their debt service in the face of rising interest rates. That was the number two concern, interest rates. Now, most of our members are morbidly afraid of debt, and they should be. Debt can tie you down and hold you back. Most contractors that are our members just don't have to worry about it. However, people that have undertaken succession planning and the senior generation has sold out to the next generation of leaders, those companies may have debt. Those next-gen leaders might have debt for the first time in the company's history that they have to worry about.

In a rising interest rate environment, then that could be a bit of an issue, so keep your eyes peeled. Then the third concern, of course, is what? The labor market. Well, of course, it's a concern. If you can't get talent, then you can't do construction projects, and you can't do all the things that you set out to do as a business. What did the directors wish for? What did they say, "Boy, I wish I could get my hands on more of this?" In this particular study, it was KPIs, key performance indicators. Well, golly, if you're a member of our program, at least once a year, you're getting more KPIs than you can shake a stick at. I think we look at 500 discrete data points for our contractors now. So boy, KPIs, that's probably not on your wish list if you're one of our members. What are their top three strategic priorities? The first thing is adding market share.

The second thing is optimizing costs and streamlining, and the third thing is enriching the customer experience. Do we not talk about the experience economy? So, it's made it to the level of corporate directors now. Then the final question in the survey was, if you were charged with setting the next board of directors' agenda, what would you put on the agenda? Number one, succession planning and succession planning at all levels of the organization; not just the CEO and the president and the senior vice president, but at all levels of the organization. If you think about in your construction company you've got a lot of people doing some really super important things, and some of them are fairly

specialized. You might have BD people or estimators or equipment operators, all those people have to enter into your mind. You've got to have succession plans for all those people.

If suddenly your motor grader stopped moving on the job site, guess what? You're not going to be able to go out there and run them yourself. You're going to have to have talent to do that. Then the third thing on the next board of directors agenda was corporate culture. Now, I thought that there was a bit of a disconnect in the top strategic priorities and the top three wish list items. They talked about optimizing costs and streamlining, which means cutting headcount in lots of cases, and they talked about succession plans for talent below the C-suite. To me, how do you do both simultaneously? How do you reduce your expenses and reduce your headcount at the same time planning on succession, building your bench for your next generation of leaders in various roles?

So, I thought that was interesting. So, what do you think? Do think this survey of directors is on point, off point? Is it pertinent to construction at all? Let us hear from you. This is Wayne Rivers at Performance Construction Advisors, where *We Build Better Contractors*.