



The 10 traits successful contractors have in common

By Kathleen Brown

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DENVER—We’ve heard the grim statistics in survey after survey — the labor shortage has 70% of contractors missing deadlines and it simply isn’t letting up. The industry is bogged down in constraints even at the peak of its economic cycle, but fixating on this is discouraging to companies targeting continuous growth and improvement.

Without minimizing present pain points, Dennis Engelbrecht, a senior consultant at The Family Business Institute, part of The Travelers Cos. family, framed his recommendations at the Associated General Contractors of America’s convention this week in a much more positive light by setting out the top 10 reasons contractors achieve success and can continue to do so. These were the characteristics that the institute's top rung of clients, marked by growth and profitability, had in common, according to the business management consulting firm.

1. Servant leadership

An effective leader likely attained that position because of innate talent and drive, but once at the top, he doesn’t settle in his ways. “There’s always more to learn,” said Engelbrecht, “and as soon as you think you’ve got it all, it probably means your ego is leading more than it should be.”



Credit: The Family Business Institute

That drive can also be channeled to move an organization forward in a spirit of service to employees, not self-interest, he suggested, and oriented in a way that meets the needs of millennials and other up-and-comers. “They want to be motivated, they want to be part of something,” Engelbrecht said, and leadership should be among the first to inspire them to perform and stay on board.

Fostering a culture of psychological safety, where employees at any level feel comfortable relaying information up and down the chain without fear of consequences, is among the most important traits of successful leaders, he added. Bad news must rise to the top, according to Engelbrecht, because when this goes unaddressed for too long, “bad jobs can kill a company.” Over the past two years, 80% of the companies that failed did so

because of a single job, he said, citing research from The Travelers Cos.

2. Positive work environment

Thriving companies maintain a culture that attracts and retains people, said Engelbrecht, and to make this happen, leaders must be tapped into millennials' and other groups' priorities — vision, transparency, teamwork, access to leadership and more.

“I don't know that there's ever been a more stressful time to be in construction than there is today,” he said. Leaders should look to combat this by supporting employees with a positive work environment, according to Engelbrecht, and to remove as many obstacles to their success as possible.

And since there's no shortage of work at present, the challenge isn't finding jobs, but knowing “when to turn off the faucet,” he continued, to ensure that employees aren't overloaded.

Also key is rooting out the “problem people” that can act as a cancer to an organization. “Your culture is determined by the lowest level of behavior your leaders will allow,” Engelbrecht suggested, but good people will elevate the culture when working alongside other good people.

3. Attracting and retaining the best people

Bringing in new talent is difficult in this day and age, but the undertaking is one of the most formative to a company's culture and success. “Slow to hire, quick to fire” is a mantra among the upper echelon of growing firms, Engelbrecht said, but sometimes this is easier said than done.

Companies have to think about hiring as a long-term process, looking to college programs for interns and project engineers, for example, who can grow with the firm and continue to add value. Further, even if a job opening isn't there, “if you find talent

in the marketplace, hire it,” said Engelbrecht. Several companies have experienced considerable growth through this somewhat counter-intuitive strategy of finding work to fit the people, he added.

And with regard to firing, leaders shouldn't be slow to pull the trigger in the middle of a job when they're certain the respective employee isn't suited to the firm, according to Engelbrecht. As soon as that person is let go, the leader and other employees tend to say they wished it had happen sooner, he noted.

4. Strategic business planning

“If there is a silver bullet for your company, it probably is strategic planning,” said Engelbrecht, who noted that the institute's customers who did so saw 150% volume growth and 220% profit growth roughly three years later.

It's the simple act of setting a target that puts construction companies on a path to success, the consultant said, noting that “most of us are capable of executing a plan.” The results will come as long as that vision is fully fleshed out and periodically revisited by a broad group of employees in quarterly meetings, for example, according to Engelbrecht.

Contractors can also play to their strengths by generating action items from these meetings and treating each one like a construction project, he suggested, with objectives, milestones, timelines, outlined responsibilities and more.

5. Effective business development practices

Pointing to the difficulties of a bid market versus a negotiated market is an easy scapegoat for contractors with lackluster business development practices, according to Engelbrecht. On the other hand, companies that exceed in this area can drive their market in the direction of negotiation instead of bidding.

“You want to make sure you’re the guy that gets last look and ... that’s in there helping develop a budget,” he said, and the secret ingredient here is likeability. People, plain and simple, “like to do business with people they like.”

That’s also the recipe for lifetime customers, which are often a contractor’s bread and butter, because “every year you work off your business and then you have to start anew,” he said. Leaders should therefore diligently maintain these relationships that continue to add work to the pipeline, according to Engelbrecht, and never to take them for granted because somebody else is inevitably “knocking on that door.”

"What I found through my career in consulting is the uglier the work, the more under the radar, the less known — the better it pays."

Dennis Engelbrecht

Senior consultant, The Family Business Institute

6. Diversified and profitable mix of work

The hotel construction pipeline hit an 8-year high in 2018, and while it’s a booming sector now, this level of activity can’t be sustained forever. This cyclical pattern extends to every type of construction, so contractors are naturally best off diversifying their portfolio of work, said Engelbrecht.

But at the same time, profitability hinges on their ability to differentiate themselves within the market by drilling down into niches. “A good part of the construction business is a commodity,” he said, and for projects like a college science center, for example, “anybody who’s competing for it can do it.”

Run away from that commodity space and mix a high-profit niche with other wide-ranging capabilities, said Engelbrecht, because

“the uglier the work, the more under the radar, the less known — the better it pays.”

7. Operational strength

Under the umbrella of operations, top construction companies tend to nail three areas, according to Engelbrecht: launching a project internally, reviewing jobs and finishing strong. Such contractors can plan for a job better than companies in other industries, he said, and involve the right people from the very start.

Monthly and quarterly reviews of submittals, change orders, critical path items and more, when done well, elevate the organization’s performance by keeping knowledge flowing freely within it, Engelbrecht said.

And finally, the contractors in this camp plan so well that a strong finish is inevitable, he said. “They leave a good taste in the client’s mouth so that they’re invited back.”

8. Proper capitalization

The best companies tend to keep a “decent, conservative amount of capital” which allows them to jump on opportunity when it arises, such as an acquisition or key hire, according to Engelbrecht. “You have to increase your overhead a little bit to take a chance on the future,” he said.

Companies shouldn’t be constantly operating like they’re strapped, but they do need to proceed with the caveat that an economic storm is brewing, he continued. Set aside enough capital to weather the downturn or softening of the construction market that is to come, he advised.

9. Data leverage

Data-smart companies almost can't help but be profitable, Engelbrecht suggested.

Inputting data into visually interactive dashboards can be a powerful tool for tracking overhead and determining how much is appropriate. "The worst thing you can do is outkick your coverage and get more work than you have the people to handle," he said. "That's where the big losses come from."

The better approach is to incrementally grow people first, he continued, noting that dashboards are particularly helpful in tracking the success of this measured strategy.

10. Strong risk management

Contractors are risk-takers by nature, said Engelbrecht, and must be careful not to let this strength become their pitfall. Most job failures can be traced to a bad decision in taking the job on when the red flags were present, he said.

Construction companies who go through a formal "go, no-go" evaluation process ahead of project and loop in the "naysayers" who are quick to identify the risks are far less likely to get entrenched in a project that was destined for failure from the outset. That skeptic's voice is a critical counterbalance to a strong economy, said Engelbrecht. "We start to think we're invulnerable to problems."

