

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

Over these last few weeks, and the next six weeks, we're attempting to identify the 10 biggest items that probably dictate or represent construction success from my experience in the industry over the last 20 years. We've talked about a four-legged stool. We've talked about bad job avoidance. We've talked about leadership excellence. And we've talked about the strength of a compelling vision. Today, we're going to talk about relationships. And you've probably heard the saying it's all about relationships. And it really is, and I think more so today in the construction world than ever before. More so today for a number of reasons. One is the collaborative nature of most construction projects today, much more so than it has been in the past. And I think we're in a unique time today with the rapid changing of prices, rise in prices, and with supply chain difficulties and the difficulties of keeping your team together, of being able to find enough people to do the work and all of that. Relationships are just becoming that much more important.

So, let's talk about the ways that relationships are key to successful construction and a successful construction business. Well, as important in anything has to be the ability to get negotiated and repeat work at preferred margins. And relationships are so key to that. People want to do work with people they like, and having those relationships certainly gives you a leg up. Now, yes, performance is important. And frankly, performance is part of the relationship, right? It's hard to have a good relationship for somebody to trust you if your performance sucks. So, yeah, performance is important, and it's important to your relationships. But without those relationships, somebody else would come along, and we've talked about construction being a commodity. Yeah, if I'm Turner, and over here's Sanscon, over here's Balfour Beatty, and yeah, you got a 60 million science center. Yeah, we can all build that. We all know we can all build that, and there are 40 other companies out there that can build it just as well as we can build it.

That's the nature of construction. So, the relationships become very, very important in that ability to get negotiated and repeat work. And that negotiated and repeat work is definitely one of the common elements of the most successful construction companies. Thinking about one of our clients up in Wisconsin, I remember the owner, we were doing strategic planning, and we were talking about one of their newer markets they were in. And one of the guys said, "Well, this is a low bid market." And the owner said, "Well, our premier market was a low bid market 20 years ago. And now it's all relationships and it's repeat negotiated work." And 90% of their work is negotiated. And that began as a low bid market.

So, that's a huge difference because that allows you to get that bit of preferred margin. That gives you a little bit of buffer against bad jobs. But also, in the end, allows you to have more success. Even if it's not negotiated or really repeat work, being able to get a preference. Being able to get the last look, get the guidance and intelligence necessary to win a competitive pursuit to get your submittals right, to focus on the things that the owners or the committee that's going to decide who gets the job gives it to. What are their hot buttons, to know those and be able to approach those?

All of that comes from relationships, to be able to develop that extra intelligence and that little bit of preference. I've got so many great construction companies that will talk about some of their best jobs being where they weren't the low bidder, they were second or they were third, but somehow that work found their way to them in the end. I think relationships are also key to being able to put together a great team for the job, and that's both internally and externally. On the external side, the ability to get the right subs and suppliers to work with you, to be able to get you lower, to get you the performance you need for your owner relationships, to get you support for problem resolution. Those relationships allow you to get through the construction project with a minimum of problems. I think relationships also allow you to network. They give you the ability to network. And networking for employees, for customers, for work, for partnerships.

Sometimes you need relationships to pull a few strings, whether that's with the zoning board or with a city or county inspector or the fire marshal or whatever. If you have a great relationship and, "Okay, we're getting delayed by three days,

and I need to have my inspection at that particular time," relationships are key to that. One of the things I've learned, we've had a problem in the industry of our retiring great talent, these great construction folks that are now at the end of their careers and leaving with all of their knowledge and all of that. Well, one of the interesting things I've found when I've delved into how we're going to transition that knowledge is, a lot of times, it's more relationship than knowledge. What we really need is their black book, who they call for this and who they call when they need something, or they need a favor or whatever.

Through the course of their careers, they've developed these great relationships that can keep things moving. Again, get them a favor or get a problem resolved without having to go to war. And in construction, you don't want to be in court, you don't want to be at war. You want to be able to work through problems, and relationships are key to that. So, think about your relationships. There's a saying that who you know is more important than what you know. And it's at least as important, if not more important, for sure. So, to be a great construction company, focus on relationships.

Dennis Engelbrecht, thanks for tuning in.