

Hi, everyone. This is Wayne Rivers at FBI where *We Build Better Contractors*.

This week I want to talk about Marcum's 2023 National Construction Survey. Who's Marcum? Well, most of you know. Marcum is a national accounting firm and they've got a robust construction practice. So, I took interest in this survey that they published in the spring. The survey says that it is a complex and challenging time for contractors. No, that's not news to you, is it? They say that things are looking pretty good. Backlogs are very good. Public sector is very strong. Supply chains are improving, and material costs have begun to stabilize. So, some of the things that have perplexed us here in the last year or two are getting easier. Now, what about this is important to you? Why are we talking about a survey for gosh sake? Well, we all want to be able to look into our crystal ball 24 months, 36 months down the road and know where our business is going to be. So, there are some things that we can take away from this survey that are valuable.

55% of contractors say they are concerned about delayed or canceled projects, mostly due to increasing interest rates. So developers are pulling back, they're sharpening their pencils and they're saying, 7% doesn't work nearly as well as 3%. I'm not sure I'm going to do that. So that is a big concern.

39% reported they were concerned about securing labor. What? Why isn't that 100%? Even if it was easy to hire people these days, and it's not, shouldn't 100% of contractors be concerned about hiring and forming the best teams? 100% of the time? That to me is a swing and a miss. If only 39% of contractors are trying to build the best teams continually, that's a swing and a miss for the industry. 14% are concerned about labor costs. 43% of contractors report higher G&A in 2023. There again, is it not everybody. I'll come to another statistic later on that just causes me to question that. Others report they're concerned about lack of work, the current political climate, tighten credit, and 7% in fact say that bonding is going to be tighter and more costly going forward.

They reeled in the survey, I'd never seen this in print before, 75% of small to medium construction enterprises self-indemnify their bonds. So, if you're feeling like you're out on an island all by yourself because you continue to indemnify bonds, you are not alone, three out of four contractors do that. All right, so what does Marcum recommend that you do about the changes in the complexity in the current environment?

Number one, focus on controlling your costs. Well, that makes perfect sense. There again, 100% of contractors, 100% of the time should be focused on controlling their costs. Number two, get ahead of your sector. So, whether you're a highway paver or you're doing bridges and culverts or you're building vertically or whatever it is. Whatever your niche and sector is, get out front. And then the third recommendation is part and parcel with that, improve your BD and your pre-con capabilities. I remember in the previous recession, some of our contractors were tightening their marketing and BD and pre-con budgets. And I was thinking, wow, I mean, we're all competing harder for market share. Isn't that the time when you should really be putting resources into identifying niches and profitable work and jobs that were becoming available? You need to be ahead of that curve, not behind it.

And the fourth recommendation, I'm not sure about quite, they suggest that you JV with larger contractors to learn and to break into new markets, new geographies and ease labor shortages. The easing labor shortage part I agree with, but JVing is complicated. So now you've got JV layer on top of new market, layer on top of new geography potentially, wow, that seems pretty risky. The fifth recommendation was strategic planning. They say that 61% of contractors will be undertaking strategic planning in 2023. That's not right. I mean, we have some of the most forward-thinking contractors on earth in our program, and I can tell you not 61% of our folks are doing strategic plan. We'd like for them to we'd for it to be 100%, but that's just not reality.

So, what are people doing about labor? That seems to be the biggest issue on everyone's minds right now. 66% report that they're increasing compensation in order to get talent. Well, think about the other statistic I gave you. 43% report higher G&A, but 66% say they're increasing comp to attract talent. You see where I'm struggling with those numbers,

right? 35% say that they are doing performance evaluations for the first time, good. 46%, almost half, say that they are putting into place formal employee recognition and appreciation programs. That should be a 100%. That is a low bar. That is a low-cost way to improve morale, comradery. It improves your atmosphere of warmth and welcoming to your employees. Do that. Do that. Absolutely find a way to formalize your recognition and appreciation of your employees. And 29% say they are partnering with trade and high schools in order to attract new employees.

So, Dennis and John Woodcock, in the second quarter of 2020 put together a webinar. The presentation is still on our website, and it talks about a radical way for evaluating... Dennis dreamed this up about a whole lot. This is a brand-new way, never seen before, way to evaluate where your company is now, where you're headed, and what actions specifically you need to take to get ahead of a challenging market, a complex market, a market roiled in that case by a pandemic. Go to our website and take a look at that Q2 2020 presentation from John and Dennis, it is powerful, and you can take away a bunch from it. But the purpose of Marcum's survey was to say, here's what the marketplace is looking like, here's how people are reacting to it, and I think Dennis and John's webinar will give you even more material to think about as we go forward into an uncertain future.

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