

Growth chart

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Sebastian Chambers identifies three key factors crucial to progress in the construction industry

At a recent round-table discussion, CEOs from the construction and building products sector, investors and advisors deliberated the challenges and opportunities they foresaw over the coming years. While investors and advisors talked about cyclical risks in the context of Brexit, all the industry leaders focused on two things: skills shortages and productivity challenges.

This may have been characterised as a split between London and the rest of the UK. Construction in the capital – where most advisors and investors are based – has had a good run over the past few years, with a sharp rebound after the financial crisis and strong investment in commercial property, infrastructure and housing. However, London is now experiencing something of a mid-cycle correction, particularly in the market for luxury apartments, while much of the rest of the UK eventually started to recover from the recession in 2013. There is now a strong outlook in areas such as affordable housing and infrastructure outside the capital.

Cyclical risk is ever present in the construction sector, and is something for which industry leaders and advisors must prepare. However, there are also other important factors that affect the sector and the success of businesses in it.

To gain detailed insight, management consultancy CIL has recently conducted [research among 140 construction firms](#) of varying size, covering a wide range of skills, locations and sectors. This shows a clear correlation between successful, growing companies and three key factors: employee engagement, strong relationships with subcontractors, and the use of technology.

Skills for success

We separated the firms into three categories. First there were share winners, businesses with sales growth of more than 5% per annum. Second came the share decliners, businesses with falling sales; and third, there were the non-movers, those with sales growth of between 0% and 5% a year.

Turning to the possible reasons for these positions, the skills shortages now faced by the sector are not new. Even allowing for the recession, there has been a consistent undersupply of skilled workers in the construction industry [since the beginning of RICS records in 1998](#). This looks set to continue as, according to [research from the Office for National Statistics](#) last year, the number of workers in the construction industry is still 200,000 below its 2008 peak, while trainee numbers keep falling.

CIL's research shows that the companies taking market share consistently reported a more engaged employee base, compared to those who are losing ground: 41% of market share

winner described their employees as highly engaged, compared to just 12% in the market share decliners. Engagement is key to winning the battle for talent.

The ability to develop strong subcontractor relationships through collaborative working is another key factor for success ? 29% of market share winners strongly agreed that they have loyal subcontractors, compared to just 10% in the share decliner category (see CIL's report [UK Construction ? people really are the most valuable asset](#)).

Those firms most willing to engage with technology and new building practices will be better able to encourage efficiencies and increase sales, thus improving performance. The research showed that 31% of market share winners reported that their on-site processes are becoming much more efficient, compared to 15% of market share decliners.

The tight labour market in the sector also means the more enlightened firms that focus on recruitment and retention of talent are best placed to succeed. Of the market share winners, 27% report a well-structured apprenticeship scheme, compared to 13% of market share decliners. When it comes to hiring graduates the growing firms are again ahead of the pack, with 24% recruiting from higher education institutions, compared to 7% of those in decline.

With just one in 20 construction workers being female, successful firms also place much greater emphasis on engaging with women, and 36% are actively working to improve the work environment for female staff. Training is also crucial to develop expertise and improve productivity ? and again, the market share winners far outpace the lesser-performing firms in this regard.

Winning the war for talent

Much of the UK construction and infrastructure sector is growing robustly, and there is an increasing shortage of skills to meet demand. For this reason, companies that are taking market share are winning the war for talent, are maintaining a loyal subcontractor base and are promoting productivity.

CIL's report makes it clear that executives and investors need to take key performance indicators on team engagement seriously. For every initiative around technology, order books, sales pipelines, operations and productivity, there needs to be an equivalent emphasis on recruitment, diversity, career development and retention.

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Further information

- Related competencies include [Business planning](#)
- This feature is taken from the [RICS Construction journal](#) (February/March 2018)
- Related categories: [Construction](#)