

RGM NEWSLETTER

RITA GUNTHER | MCGRATH

Construction Paves the Way for Big Changes

July 2019



Dear colleagues,

\$12.7 trillion! That's the projected size of the global construction industry in 2022, according to one recent analysis. In the US alone, construction employs some 10 million workers. And while it's a relatively slow-growth sector, it's been remarkably stable in many of its elements for hundreds of years. That may begin to change.

Game Changing Technologies

Drones, equipped with sensors, and virtual reality visualizations are replacing expensive (and ineffective) aerial photography. The construction industry reportedly is the largest buyer for commercial drones even today. Robots are working with humans, eliminating repetitive and potentially dangerous activities with even more reliable quality. Brick-laying robots do the job more rapidly and safely than human beings can. We're starting to see real 3D printed buildings. And AI is anticipating and

deflecting risks that would never have been possible for human beings to catch before. As with other sectors, digital and other advanced technologies are making new business models possible and potentially making old ones obsolete.

Speaking of New Business Models...

If you wanted to buy a car, you would never dream of hiring one person to design it, another to create the parts, and a third to put it all together. And then find that the car would be delivered very late with a price tag 35 percent higher than the initial estimates! And yet, effectively, that's the way much of construction works.

But modular construction has the potential to bring much-needed industrial scale productivity. Building off-site allows for more economies of scale, more routine operations, and more predictable timing than bespoke construction on a specific site. This in turn promises decreasing cost and complexity. And it can potentially address challenging social issues like the scarcity of affordable housing.

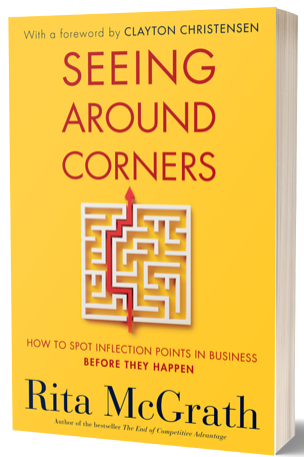
Who's Going to Do the Work?

After the great recession, 600,000 workers fled the construction industry, which suffered a drastic drop in demand. But now, with demand expanding, the sector is caught in labor market headwinds. Boomers are retiring. Many young people don't think of construction as attractive. And those who are trying to get into the industry often don't have the required skills, such as those required to operate specialized machinery.

The industry is resorting to some non-traditional practices to recruit and retain skilled people. Starting with offering higher pay and benefits to hiring employees (rather than contractors), the scarcity has created incentives to improve those jobs. Other creative tactics include recruiting ever-younger candidates, reaching out to previously incarcerated people, focusing on veterans, and even—wait for it—making a big push to bring women into the historically male-dominated industry.

In other words, construction could be poised for a major positive inflection.

Read more



Pre-order Seeing Around Corners

Last month, we officially launched the pre-order campaign for my new book, *Seeing Around Corners: How to Spot Inflection Points in Business Before They Happen*. If you order by September 2, you'll receive a FREE Opportunity Portfolio toolkit. Pre-order the book and learn more at SeeingAroundCornersBook.com.

Pre-order

Reading List

A curated roundup of interesting articles to get you thinking:

- **Building a Proficiency for Innovation and Growth.** The Opportunity Portfolio maps projects you're considering relative to the uncertainties they face, ultimately revealing which investments are supporting today's business and which position your organization for the future. ([Blog](#))
 - **Why Everything From Transit to iPhones Is Biased Toward Men.** Caroline Criado Perez examines various elements of our modern world that appear to be designed with less consideration for women, uncovering a gender data gap that is "both a cause and a consequence of the type of unthinking that conceives of humanity as almost exclusively male." ([Wired](#))
 - **A Unicorn Lost in the Valley, Evernote Blows Up the "Fail Fast" Gospel.** After chasing that \$1 billion valuation, what happens when you end up in "startup purgatory"? ([The New York Times](#))
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Upcoming Events

August 20: [Duke Corporate Education Leadership Series](#) (Webinar)

What is strategy in an age of exponential change? And how do we ensure our organizations are strategically agile to see and seize the next value wave? In this webinar, we'll discuss why businesses need to constantly reconfigure and adapt.

September 10-12: [Leading the Agile Organization](#) (Columbia Business School)

To achieve agility, organizations require leaders who are perceptive, comfortable with their various roles, and clear about their path to value. In this program, you'll acquire the mindsets vital to leading an agile and adaptive organization.

September 16-18 [Business of Software Conference](#) (Boston)

Join the world's smartest software entrepreneurs for three days of learning, listening, and networking. Learn about scaling SaaS and software businesses from expert speakers.

September 25: [RamsayTalks Breakfast](#) (Smith School of Business)

Join me in Toronto for a book launch event where you'll learn how to "see around corners" to spot inflection points and create new opportunities for your business.

Interested in having Rita speak at your organization or event?

[Learn more](#)

In the Press

- How to Compete in a World of Transient Advantage ([Roland Berger](#))
- Could Warren Buffett Be Wrong? Kraft Heinz is Exhibit A for Iconic Big Food Brands at Risk of Losing Global Relevance ([CNBC](#))
- Ketchup Tries to Keep Up With Changing Tastes ([Marketplace](#))

Where there is uncertainty, there is also opportunity.



Here's to your next advantage! - Rita

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