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# Five Strategies To Help Construction Leaders Mitigate Risk

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When the construction industry undergoes changes like tariffs, supply chain constraints, and labor shortages, general contractors might be tempted to explore new opportunities for growth beyond their established customer base and expertise.

However, it is during these uncertain times that it is best for companies to evaluate and test their financial, operational, and risk resiliency before taking on new and different development projects.

While economic and geopolitical events can affect contractors in every business environment, it is important for contractors to have their most valuable risk discussions around project selection and how their historic successes can be duplicated elsewhere. A long-term project focus can help general contractors become the go-to contractors in their respected specialty. And a well-planned specialization strategy can be one of the best paths to growth and profitability.

When external factors are beyond a contractor's control, there are five strategies that may help them succeed. These business resiliency practices can be employed and adopted to protect relationships and manage change.

### 1. BUILD BEST PRACTICES AROUND PROFITABLE PROJECTS

Construction companies have one of the steepest failure rates among major industries, according to 2022 Labor Department statistics. This makes it important for contractors to identify

their most successful jobs, measure their profit margins, and employ technology that can boost safety, efficiency, and savings to better understand and build their company's current resilience and growth potential.

Additional tactics include realistically assessing potential clients and working with transparent customers. A large part of ensuring project success is client fit and getting paid. When selecting which customers to work with, it is important to pay attention to risk factors such as transparency with funding and pricing sources. Clearly outlining details such as payment schedule can save a project from disruption.

While contractors may not have control over the price of materials, they do have control over the time it takes for a customer to make critical decisions. Paying attention to clients who are disorganized or only prioritize money when making decisions can help avoid delays in the timeline.

In addition, encouraging collaboration and participation from new employees, as well as diversifying the workforce, can help increase the experience and acumen of the business. Employees from different backgrounds, ethnicities, races, and genders can provide new perspectives that may not have been considered previously.

Project selection is an integral part of the success of a construction company. While there are some factors (like inflation or the tight labor supply) that are beyond a contractor's control, there are other things to focus on that can ensure the company is prepared for successful project completion.

### 2. FIND AND LEVERAGE STRONG, LONG-TERM RELATIONSHIPS

Maintaining strong relationships with project owners who demonstrate disciplined planning and transparent communication is essential to long-term success for contractors.

When sureties discuss project selection and going into new territories with construction leaders, they listen for strong relationships that will make the job go smoothly. It is usually a good sign to see a construction firm that sticks with owners they've already done a lot of work for, especially if they are pursuing a much larger contract than they may have completed in the past.

### 3. ASK EXPERIENCED RISK EXPERTS FOR INPUT ON CONTRACT LANGUAGE

Even when working with the most trusted owners and project partners, construction leaders should request an expert risk opinion on every contract they propose or receive. Experienced surety partners are generally not legal experts, but they can provide suggestions that may improve contract language overall.

Contract evaluation is such a big part of what goes into the overall success of a project. However, even with qualified financial and legal experts already reviewing contracts, a team of experienced insurance claims attorneys can often spot terms and conditions that may become impossible to meet, which elevates the risk factors of a bonded construction project.

### 4. WATCH GLOBAL EVENTS THAT MAY AFFECT CURRENT AND FUTURE WORK

Over the past five years, macroeconomic and geopolitical events have had a significant impact on all aspects of construction work, from the availability of talent and raw materials to the way projects are designed. It is imperative that construction leaders, including general contractors, stay informed about global events and economic data. Construction companies of any size need to be aware of how world events may affect their future financial and project considerations.

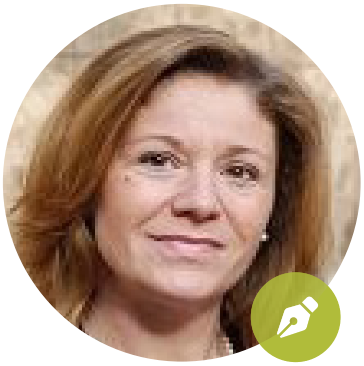
### 5. USE STRATEGIES TO BUILD A 'GO-NO-GO' PROJECT SYSTEM

Typically known as "go-no-go," a standardized project selection system like go-no-go works alongside a construction company's existing business plan to help leaders evaluate potential project challenges before any bid is entered or contract signed. While a construction company can build a go-no-go process in any way it chooses, there is value in a framework that can separate projects worth doing from ones that could potentially damage a business.

Construction companies pitch to new clients and evaluate project proposals every day. The challenge for growing businesses is to find time, focus, and a standardized process to select which projects and clients to take on.

Go-no-go gives leaders and staff a customized framework to identify and document potential risks before any project is greenlit. It is meant to reflect a company's business scope and realistic tolerance levels for capacity, capital, risk, and return. Most importantly, a go-no-go system is meant to be reevaluated over time so that project successes or failures are recorded, improving the overall process.

It is not uncommon to hear construction leaders say that their best project was the one that they did not get. However, companies with an institutionalized and process-based go-no-go procedure can better identify and limit bad jobs. They can focus instead on the specific work that keeps them successful and profitable.



## About the Author

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## About the Article

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