



State of the Industry

Observations, trends and information for the construction industry

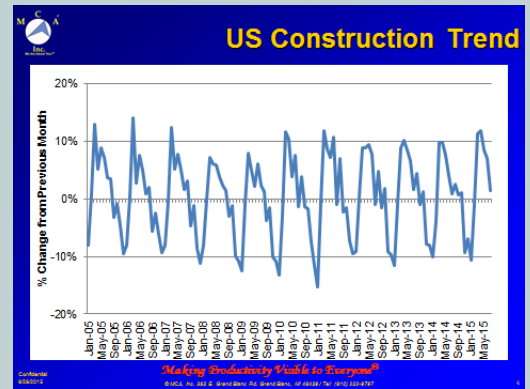
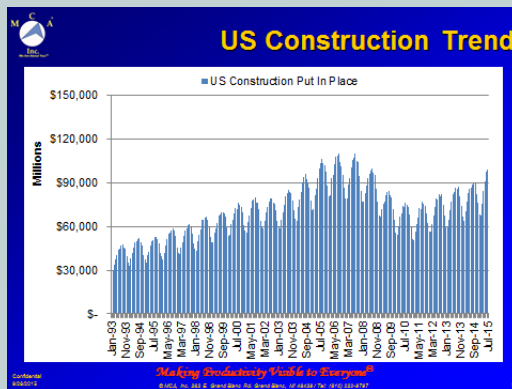
October 2015

Volume 3 Issue 2

Welcome to our *Second State of the Industry report of 2015*. Please let us know what you think by sending us a quick email—click [HERE](#).

Observations, trends and information for the construction industry

Construction is continuing to show signs of strong growth. Overall year to date construction for the US through the month of July came in at over nearly \$583 billion, an increase of over 9% of what it was a year ago. As predicted, 2015 is proving to show continued growth, reaching levels not seen since the Global Financial Crisis. Construction in July alone was nearly \$99 billion up over 46% since January. Analysts continue to predict this upward trend through 2017.



The Construction Put In Place (CPIP) trend indicates continued overall stable growth of the US Construction industry. The month to month percent change shows the seasonal variation, with the trend showing us that the industry has reached its' peak month for the year and has begun to slow down. Employment numbers through August continued to show a stable increase in construction employment.

And now for the bad news:

In addition to ever thinning margins, contractors are experiencing a lack of highly skilled workers necessary to perform the work demanded during this upswing of this construction cycle. Already companies are struggling to either bring back or replace the workers who left the construction industry during the global financial crisis.

Construction 2015 – The need for Training the Workforce

The next couple of years in the construction industry are going to be exciting and challenging to say the least. Educating the workforce to be more productive will be



MCA Spring Symposium

See sidebar on Page 2, 4 & 6

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Register for the Spring 2016 Symposium

Workforce Training to Manage Work (Segregation and Externalizing Work® through Prefabrication and VMI.)

This Symposium will consist of train in various stakeholders, including but not limited to: project managers, estimators, pre-fab shop managers, field supervision, field technicians, vendor and supplier points of interface, project support such as drafting/detailing, coordinators, administrators, owners, executives, Vice Presidents, etc.

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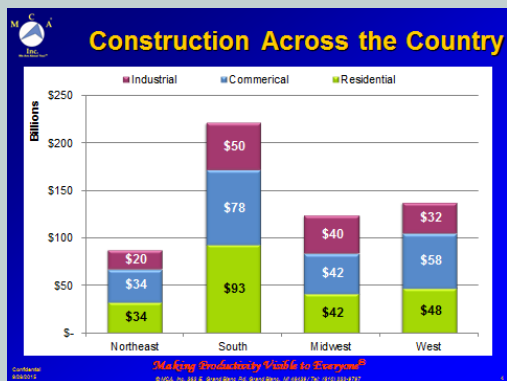
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Construction 2015 – The need for Training the Workforce (cont'd)

essential for your companies' survival. The old school mentality of simply telling the crews to work harder or dangling the overtime carrot in front of them is not going to work in today's environment. Your workforce needs to be trained to be able to manage the work and perform it as efficiently as possible. Both clients and participants of MCA classes and **Symposium** s have been hearing about Industrialization of the Construction Industry™, and how it will revolutionize the industry for years to come. Much like the automotive industry, in the 1960's nobody imagined foreign automobile manufactures to be a threat, let alone even set up operations in the US. If you think the construction industry is impervious to foreign competition and you can survive by continuing to use the traditional methods, click on the following link <https://www.youtube.com/watch?v=TgggMJQvMkU>, the norm is now 3 floors a day.

Construction Across the County

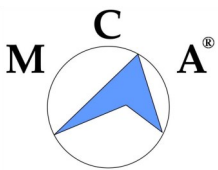
The set of charts below gives us a look at the different construction segment in different US Census regions across the country through July 2015. The south continues to show the most activity with the residential market being more than double that of other areas across the country. The industrial and commercial markets continue to remain significantly larger in the south than the rest of the county, through July 2015.



Employment numbers continue to be steadily increasing in 2015. Seasonally Adjusted Construction employment has increased slightly over 1% since the beginning of the year. A year to year comparison shows employment up over 3.6% in both July and August, compared to March and April of 2014.

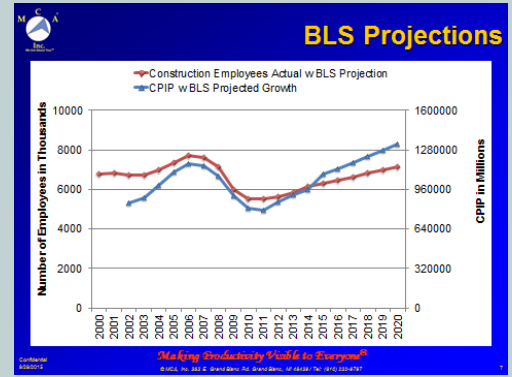
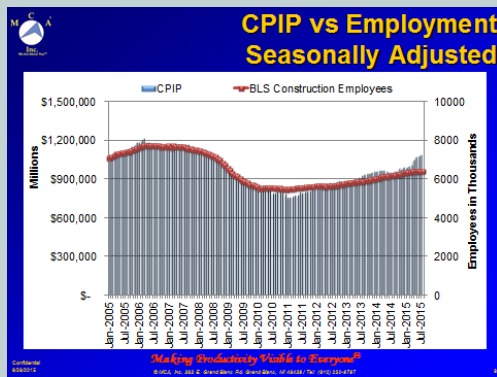
Worker Shortages and Labor Projections

When we look at the value of Construction Put In Place (CPIP) and compare it to the number of construction employees, we see that beginning in 2013, the value of CPIP actually rises above the number of construction employees. The US has not seen this since the peak of the construction market in 2006. In 2015, we see the value of construction put in place significantly outpace the number of workers in the market. The Bureau of Labor Statistics predicted the value of construction to outpace the number of construction employees in 2015, and will continue to remain this way through 2022.



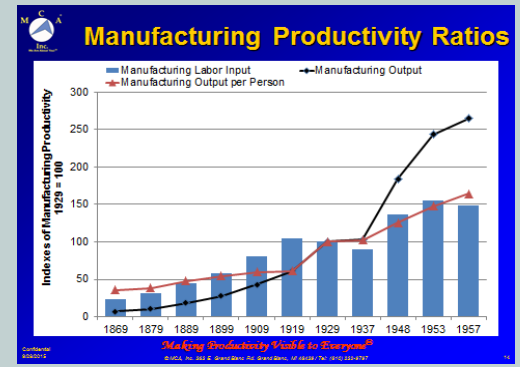
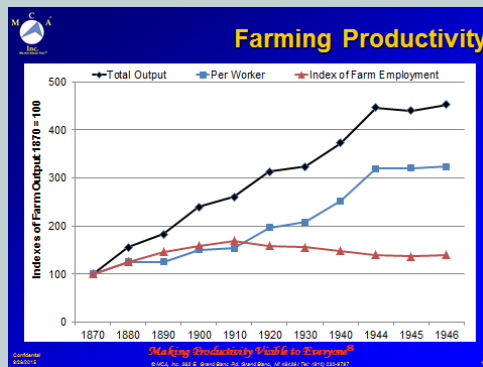
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Historical Industrialization

Historically we can go back and look at two other industries that went through their own industrialization. Looking at Farming prior to 1910, output per worker was directly proportional to the level of employment. After 1920, the level of employment in farming declined and stabilized while the output per worker was able to exceed the level of employment. Manufacturing's productivity went through a similar transition, prior to the 1920's it required more labor of labor's effort to derive an output. After 1937 we see manufacturing requiring less effort from labor to achieve higher levels of output.



What does this mean to you, now that industrialization of the construction industry is on the cusp of exploding, and being vulnerable to foreign competition? As the gap widens between the number of skilled workers and the amount of construction needed to be performed, this leaves contractors with 2 options. The first option is to do nothing, continue using traditional models and watch, while foreign competition takes over the market. The second option is to educate and train your workforce to become Agile, increasing their productivity through the better management of work.

In April, the team at MCA will join others at the [MCA Symposium](#) on "Workforce Training to Manage Work Segregation and Externalizing Work® through Prefabrication and VMI", which will be held [Thursday, April 20th through the 22nd 2016 in Atlanta, Georgia](#) in conjunction with a training and users forum focusing on the tools of Agile Construction® (taking place Wednesday, April 20th). This is the second in a series of five Symposiums focusing on training the workforce on the five steps on Industrialization:

(1) Management of Labor,

Articles Volume I
Dr. Perry Daneshgari
Dr. Heather Moore
& Contributors

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Workforce Training to Manage Work
(Segregation and Externalizing Work® through Prefabrication and VMI.)

This Symposium will consist of train in various stakeholders, including but not limited to: project managers, estimators, prefab shop managers, field supervision, field technicians, vendor and supplier points of interface, project support such as drafting/detailing, coordinators, administrators, owners, executives, Vice Presidents, etc.

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Historical Industrialization—(cont'd)

- (2) Management of Work,
- (3) Lean Operations,
- (4) Simulation and Modeling,
- (5) Feedback from the Source.

The focus of the topic this spring will be: **Workforce Training to Manage Work Segregation and Externalizing Work® through Prefabrication and VMI**. The Symposium will consist of training various stakeholders, including but not limited to: project managers, estimators, prefab shop managers, field supervision, field technicians, vendor and supplier points of interface, project support such as drafting/detailing, coordinators, administrators, etc.

Client News

Bronco Electric Inc. began implementing Agile Construction® throughout their organization.

Several UA's (mechanical union organization) on the west coast recently completed high level market share studies to help their members understand their overall position in the markets to increase their market share during this next cycle.

Graybar in the Chicagoland area is aligning themselves with the industrialization of the construction industry and becoming a full partnership ready distribution operation.

Aldridge Electric Inc. continues to make major progress implementing Agile Construction® as a part of their culture, rolling out JPAC® and SIS® on tens of jobs, and creating a learning organization to support it.

Hardt Electric Inc. is experiencing record growth, taking on projects they wouldn't have in the past relying on the Agile processes.

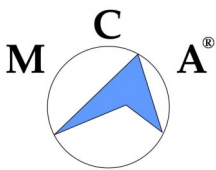
ConneXion® has made a 30% improvement with their picking time, through re-design of their warehouse operation to match contractor behaviors and needs.

Testimonials & Customer Results

Aldridge Electric

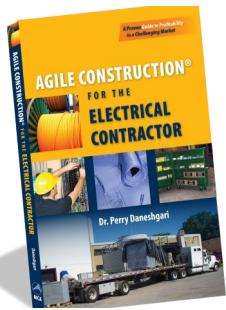
“I could not help but notice today (MCA 2015 Spring Symposium) the culture that each speaker and their company now have after partnering with MCA. Each of these companies have built a tremendous team minded culture that I am sure was not present before their transformation. ”

~ Jayson Lange, Foreman Aldridge Electric



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by
Dr. Perry
Daneshgari

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Testimonials & Customer Results —(cont'd)

Bronco Electric

"I think the process went very well and the 30 min max that it took us to sit down and go over all of this will end up saving Bronco so much money and productivity on the job site. 1st procedure change, in my opinion is a VERY BIG/GOOD change and should only look to put us more in the GREEN at the end of the projects."

~ Robbie Judd, Estimator/Project Manager, Bronco Electric Inc.

Independent Electrical Contractors, Inc. – National Office

"Your sessions were a great addition to our program and were certainly appreciated by our members. (Your scores were outstanding!) Thank you again for sharing your time and expertise and elevating our educational program standards."

~ Lysa E. Egly, Director of Education, Independent Electrical Contractors, Inc.

F.B. Harding Inc., Electrical Contractors

"I watched your latest video on the website this morning. Even though I have heard the concepts before, it is always good to see and hear them again. It is a great video, going to show it to our guys too."

~ Scott Harding, President, F. B. Harding Inc.,

Holmes Electric

"(with SIS®)...We develop a 3 day look ahead EACH day, and at the end of each day we review that day's events and report on the obstacles that allowed or kept us from working that days planned activity. That also allows us to project a new plan for the next 3 days."

"On our larger projects at Holmes we normally run 2 programs with weekly and sometimes daily tracking updates that measure 2 key components. One is to track productivity as compared to budgeting, called "JPAC®" which is "Job Productivity Assurance and Control®... The second program which I have been running ... is simply called "SIS®", "Short Interval Scheduling®". This program simply tracks the flow of a project by showing our ability to work a planned project based on the interruptions to that planning."

~ Ed Hillman, Field Superintendent, Holmes Electric

Oregon-Columbia NECA Chapter Market Share Study and Analysis

"We have had very good results we are using the study to make changes to improve our competitive position."

~ Tim Gauthier—Executive Manager, Oregon-Columbia NECA Chapter



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2015 Fall Symposium Review

Workforce Training to Manage Labor in a Prefabrication Environment

On September 23rd and 24th, in Chicago, the team at MCA Inc., along with participants from across North America conducted its 21st annual Symposium.

Participants represented distributors, subcontractors, general contractors and developers. To stay competitive in today's world you must be Agile. You must be able and willing to change the way you do business or you will be left behind.



The Symposium started on Wednesday with a class session taught by Dr. Heather Moore, teaching the basics of Agile Construction® to contractors new to the process. While in the adjacent room, MCA's first meeting of the minds took place as Practitioners sat in forum sessions, discussing topics like, VMI, WBS, Prefabrication, Agile Tools, SBPI®, and brainstorming new ideas. Even though some may have been competitors they still share their ideas, because they all know that it's good for the industry. This isn't something that's going to go away. The threat, as weak as it seems, is real and we all must work together for the sake of the Construction Industry.

Thursday was full of discussion of what lies ahead and what can be done about it, followed by a quick trip to the IBEW training center where we all were exposed to a growing technology, solar energy and then a walk-through of the very elaborate school for Electricians. Graybar's Distribution Center in Joliet was or next stop, where we learned what distributors can do for you to make your jobs easier, more efficient, and a safer place to work.



We returned to the Symposium on Friday morning with some hands on training, where everyone participated in breaking down the labor in WBS fashion, making everything visible to all, so that everyone in their business can be on the same page.

Also on Friday, we had the pleasure of listening to two of our sponsors, Graybar®



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and Southwire®. They both discussed their capabilities and how each one is willing and able to help in the VMI (Vendor Management Inventory) process. MCA appreciates their continued sponsorship over the years and urge you to seek out opportunities to work with them when all possible.



The contractors were all offered test afterwards on what they learned at this Fall's Symposium. If they pass the test they then can move onto the next level at the Spring Symposium. If they pass the test at the end of all five Symposiums they will graduate and become Agile Construction® Certified.

In conclusion, MCA hopes that the contractors took the knowledge they learned back to their work places to start working on new ideas and putting the proper processes in to place for the sake of their company and the industry. MCA is only a phone call away for anyone who needs assistance in preparing his or her company for the future. For more information on getting your company up to speed in Agile Construction® call our office at (810) 232-9797.



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Calendar of Events

Upcoming MCA, Inc. events and engagements can always be found on our website www.mca.net

October 5– NECA 2015 National Convention “How to Train the Workforce to use Prefab” – San Francisco, CA

October 6– NECA 2015 National Convention “How to Train Supervisor Personnel to use CW/CE” – San Francisco, CA

October 23– IEC Convention “Conduit for Profit” – Reducing Cost through Using Prefab – Tampa, FL

October 23– IEC Convention “Conduit for Profit” – Optimize Jobsite Material to Improve Productivity and Cut Costs – Tampa, FL

October 27– Developing Competitive Crew Rates – Lakewood, WA

November 3– Avoid Killer Jobs – Improve Estimating Accuracy – Kennewick, WA

November 5– Strategic Planning for Sub-Contractors – Dartmouth, Nova Scotia

December 1 – Risk Identification & Mitigation in Project Management – Springfield, OR

March 3– Procurement Chain Management – Dartmouth, Nova Scotia

April 20 - 22– MCA Spring Symposium “Workforce Training to Manage Work Segregation and Externalizing Work® through Prefabrication and VMI”– Atlanta, GA