### IS THE COMMERCIAL CONSTRUCTION INDUSTRY RIPE FOR DISRUPTION?

PRESENTED BY:

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#### Agenda

- What is disruptive innovation?
- Is the construction industry ripe for disruption?
- What should the industry do about it?

#### Buzz Words, Books & Bandwagons...

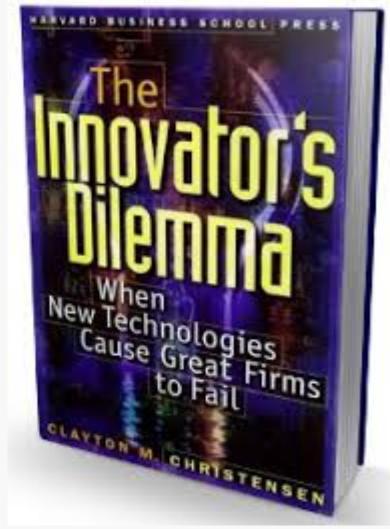
- Outside the Box Thinking
- SWOT Analysis
- Moving the Needle
- Synergy
- Pivot
- Disruption?



#### Notable Titles: Business Book of the Month Club

- How to Win Friends and Influence People
- Good to Great
- Built to Last
- Who Moved My Cheese
- The World is Flat
- Six Sigma for Dummies
- The One Minute Manager
- In Search of Excellence
- Getting to Yes
- The Tipping Point
- The four hour work week
- Seven Habits of Highly Effective People







## WHAT IS DISRUPTIVE INNOVATION?

"A product or service takes root initially in simple applications at the bottom of a market and then relentlessly moves up market, eventually displacing established competitors."

- Clayton M. Christensen



Sources: ClaytonChristensen.com | WSJ.com

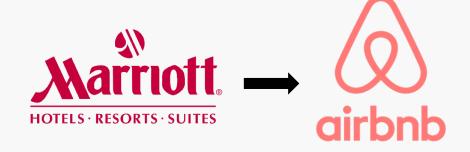
#### Traditional Disruption....

- 1. ...is the result of innovation that creates a new market or value proposition
- 2. ...displaces traditional industry leaders and brands
- 3. ...generally comes from outside the industry being disrupted
- 4. ...is not a new concept though possibly accelerated
- 5. Not all innovations are disruptive



#### Can Disruption Happen to Us?







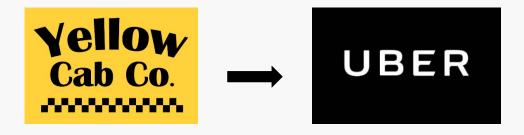
#### Can Disruption Happen to Us?







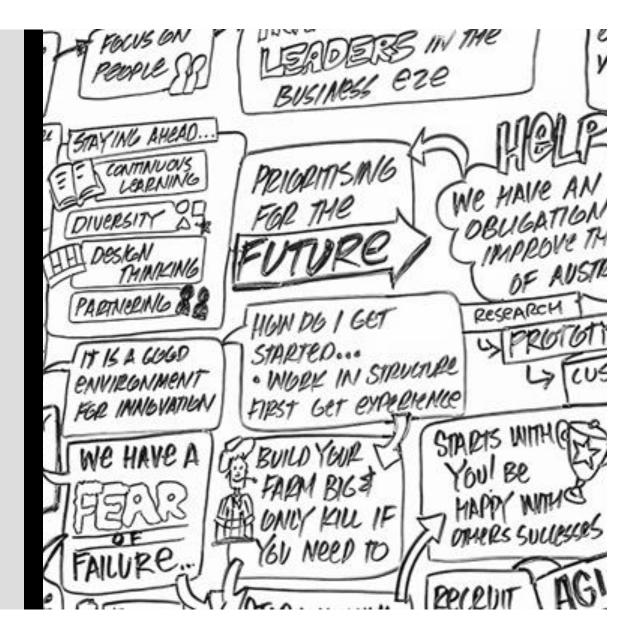
#### Can Disruption Happen to Us?





# IS THE INDUSTRY RIPE FOR DISRUPTION?

MAYBE...



Sources: Google Images | Statistica.com | Quoara.com | Statisticbrain.com | MarketWatch.com

### Factors which could lead to disruption

- 1. Size of industry & extreme fragmentation
- 2. Lack of R&D
- 3. Lack of productivity gains
- 4. Labor shortages
- 5. BIM
- 6. Wall Street



#### Construction is a huge industry.....

- 4-6% of the US GDP
- \$1.3 trillion put in place per year
- 730,000 construction companies
- Turner's revenues = approx. \$10B
- Top 3 domestic ENR GC's < \$20B (1.5%)
- Highly Fragmented

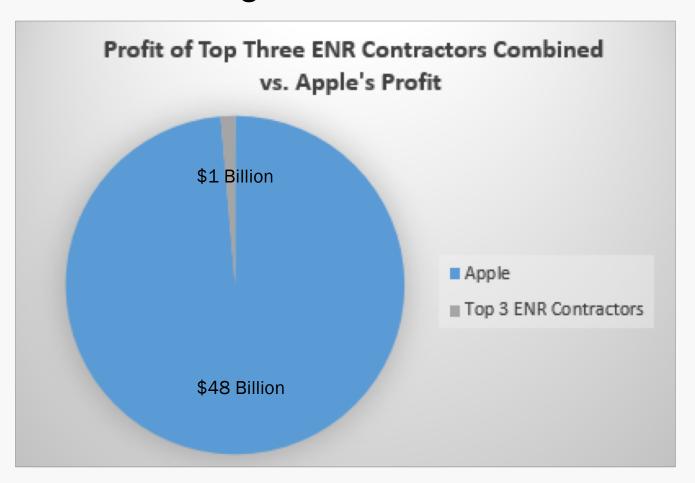


#### You are now dying to ask a question...

What does fragmentation have to do with disruption?

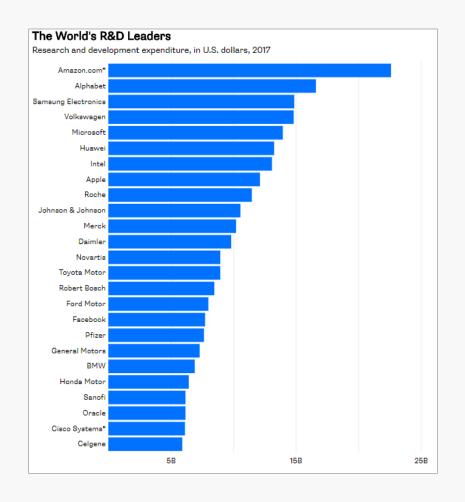


#### **Fragmented Profits**



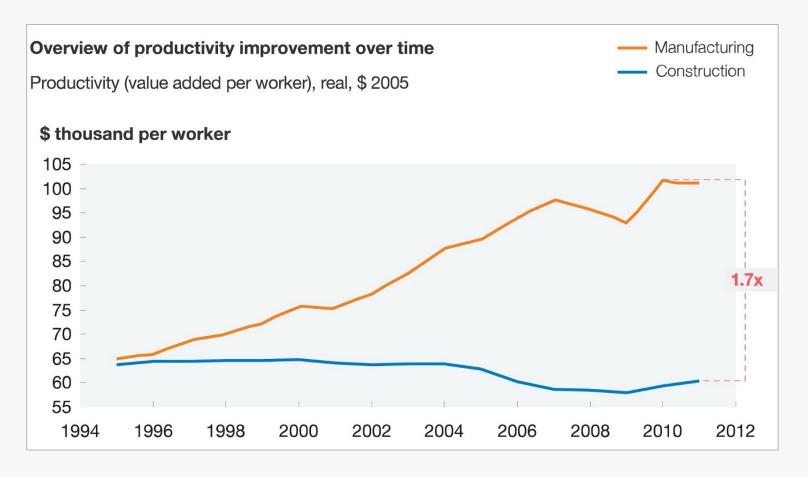


#### Fragmented Profits = Lack of R&D \$\$



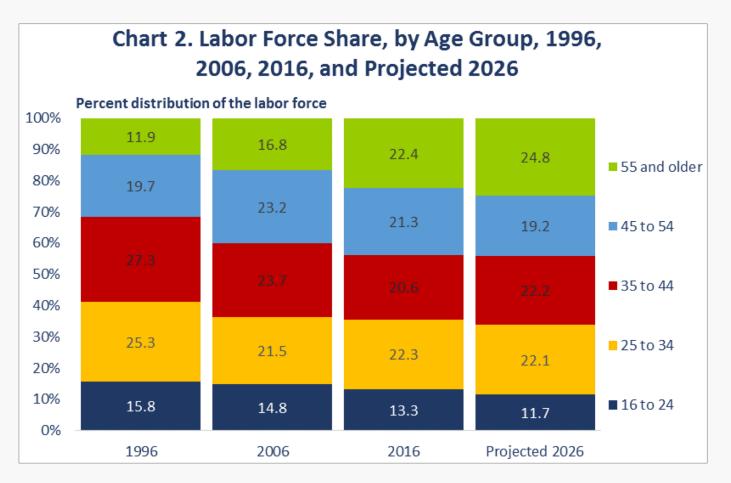


#### Lack of Gains in Productivity





#### Skilled Labor Shortage





### So what happens when the availability of a resource declines?

Prices go up...

...possibly at a disproportionate rate



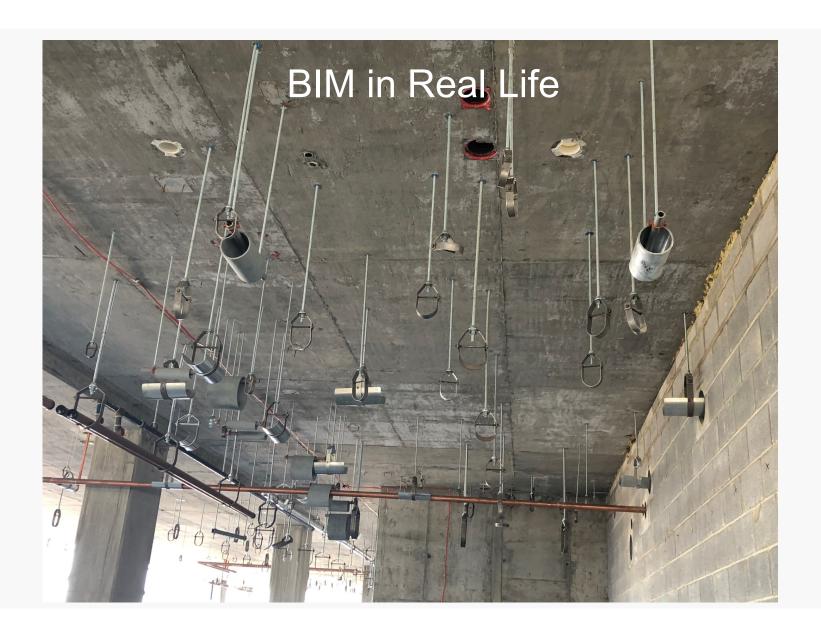
#### **Technology**

- BIM, Revit & Revit-like software
  - Allows for accuracy & predictable design
  - One model instead of multiple
- Building off site







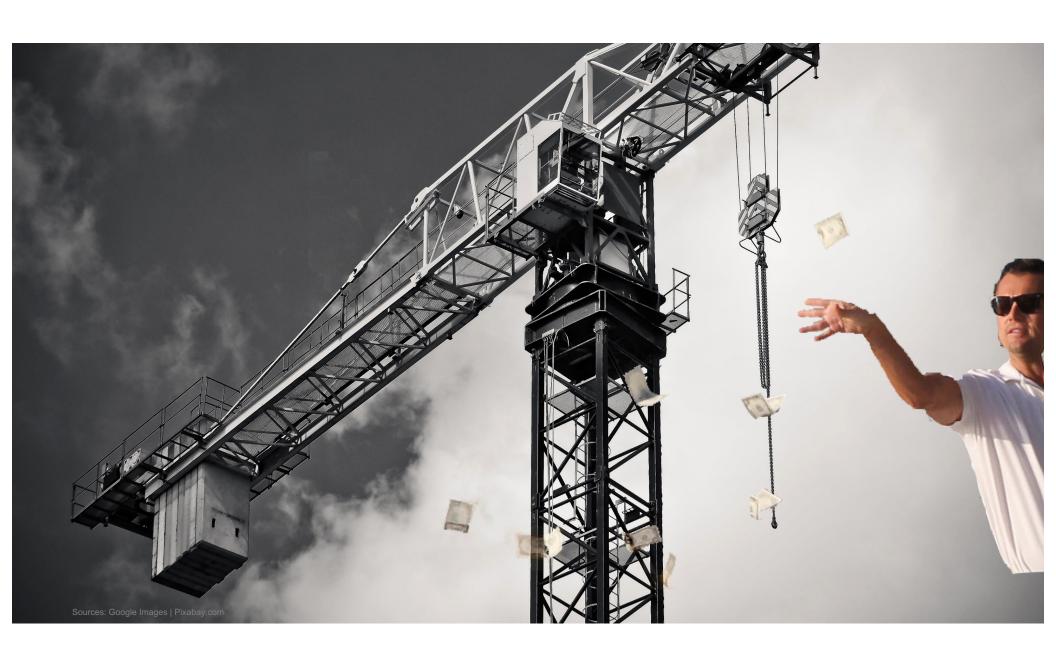


#### **Investors Seeing Opportunity**



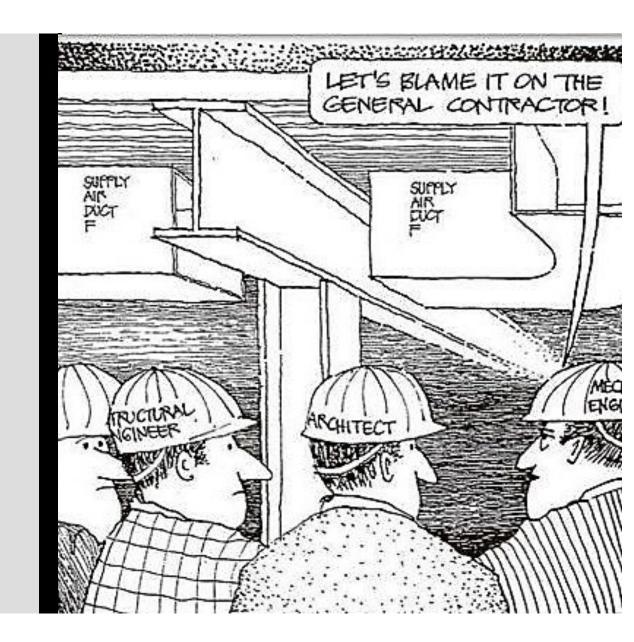
- Investors will take advantage of lack of innovation
- SoftBank invests \$865M in Katerra
- Katerra leadership is not construction people
- Labor costs will rise
- Margins are low but ROI's are high





# IS THE INDUSTRY RIPE FOR DISRUPTION?

MAYBE NOT.



#### Why not?

- Local jurisdictional requirements
- Lack of uniform building codes
- Highly regulated (licensing requirements, etc.)
- Low comparative margins/high-risk



## WHAT SHOULD THE INDUSTRY DO ABOUT IT?

"If you don't like change, you're going to like irrelevance even less."

-General Eric Shinseki U.S. Army

- Alliances, partnerships, mergers
- Embrace & adapt to technology
- Change management from the top



### Questions?



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