



The Big Picture

The Best Economic Solution Requires Diversification

Take some time to reflect on where your business is going!

by Kirk Grundahl

It is always valuable to take time on a periodic basis to evaluate your business plans and ensure that your company's vision is in line with marketplace realities. Whether business is good or bad, I know it can be a struggle to find the time to execute this reality check. With the high pace of construction over the last few years, many companies in our industry found themselves reacting to their markets instead of ensuring that their activities matched up with the corporate vision. On the other hand, since some point in 2006, some of us have found ourselves in a very different place—construction is down, so we are so busy drumming up sales to pay for our overhead that we don't take the time to ensure that the path we're taking is optimal. While you may identify with one or both of the above scenarios, all of us in business should commit to continually reviewing our teams' visions and refining them.

If this is an exercise you've neglected lately, a good place to begin the evaluation process is to take a good look at the optimal economic solution for the marketplace. I've talked about this a lot in the past because I believe it is an important topic for us to debate. In our industry, the best economic solution is generally defined by the following model.

The challenge to design and frame quickly (and thus efficiently), ultimately leads to increased pressure on the suppliers of building design, material supply and installation labor. That's you.

Builders and developers desire to convert the land they are developing into cash as quickly as they can. Any question as to why this is the case can be easily traced to return on investment. Focusing their resources on development gives them the greatest return on the dollars they invest. Accordingly, efficiently designing and framing the houses they build becomes an important aspect of their overall vision and strategy. The challenge to design and frame quickly (and thus efficiently), ultimately leads to increased pressure on the suppliers of building design, material supply and installation labor. That's you.

Based on this model, you should ask yourself how you can derive optimum value for your customers. One answer may be to take on the role of a building designer, component manufacturer and framer. This way, you can offer a value proposition that allows you to embrace efficiently designing, supplying materials for and framing the development. The key is to perceive what the market around you desires and identify a niche that you can fulfill better than your competitors. And best of all it is not a zero sum game.

Stop for a moment and ask whether this model of the development/construction market makes sense to you. The way I see it, the most efficiently designed, manufactured and installed framing system is provided when the structural building component supplier and framer work together as part of the same company with the same vision. But it's not up to me to decide what is best for the industry. If we collectively determine that this business model makes sense, component manu-

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at a glance

- ❑ The best economic solution is achieved when builders focus on developing land and component manufacturers design buildings, supply material and provide installation labor.
- ❑ In order for this model to thrive in the marketplace, CMs and builders must work together and share the same vision.
- ❑ CMs may want to consider providing concrete, framing materials, building design services and framing labor to their traditional product offerings.



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facturers need to decide how to fully exploit the opportunity to build a better business for their customers. One thing is certain; if this model is deemed the best solution for the industry, it is crucial to intimately understand the needs of our customers. Business is always easier when you are listening and filling a need versus trying to force your way of doing business onto someone else.

For the sake of argument, let's assume that the majority of your customers believe that their business interests are best served by working with a supplier that can efficiently design, supply and frame structures so they can minimize cycle time and maximize return on invested capital (land). For component manufacturers, here's how I see the practical application of this concept.

Step 1: Concrete

From a material supply perspective, the first consideration is whether you want to be in the concrete business in some manner as an owner or joint venture partner. This makes sense since the foundation is very closely tied to installing components in a smooth process. It seems that wall panels or trusses are often blamed for an imperfection in the foundation. Then, what about supplying the sill plates?

Step 2: Framing Materials & Components

Next consider the addition of these framing products, some of which are components you already design and build:

- A full line of floor framing products: steel or wood joists, steel or wood trusses, I-joists, trimmable end floor trusses
- Wall panels, headers, beams, shear wall panels, wood and/or steel studs, exterior wall sheathing and gypsum
- Roof trusses, stick framing roof solutions, I-joists or steel joists in roof applications where they make the best economic sense
- All the connectors that it takes to put together a structure

Step 3: Building Design

Focusing on building design and ensuring that the flow of loads through the building is optimal is the next step. The structural elements resisting this flow of loads are designed

for easy manufacturing and installation, and all the temporary and permanent bracing is designed to reduce the number of pieces used. This means incorporating compatible truss and wall panel designs, with the goal of manufacturing components that can be framed using the most efficient framing techniques with the least material possible. Buying and reselling specialty connectors can speed up the installation of temporary and permanent bracing.

Step 4: Jobsite Framing

Looking at the framing process to ensure that the material designations, the stacking of the material, the flow of material to the jobsite and the design of all interconnected elements allow the framing process to become a well-oiled machine. The business focus should be on the entire process of design, manufacturing, delivery, handling and installation so that implementation becomes a "no-brainer" on the jobsite. You could supply all the miscellaneous framing lumber and other "accessories" needed by the framing crew to progress through the construction process without delay.

When the market drives economic efficiency, each structural component, connection, installation and framing detail is optimized. The end result is to effectively encourage everyone in the construction process to figure out how to be most efficient. This ultimately should lead to the best economic framing solution for each project.

You may say to yourself, man, expanding our business in this manner is way too much for us to undertake, so it cannot be done. Or maybe you feel strongly that "we're not designers or framers and have never wanted to be, but we are great component manufacturers." If you believe (as I do) that the scenario presented above is the optimum economic and business model, then it is only a matter of time until this approach to the construction business will be the norm. The market and economics are usually pretty unbiased and expedient about determining what the best and most competitive business solution will be.

Given this, the question that remains is how the vision that you have for your business fits into the optimum economic and business model in the near- and long-term. This is not a zero sum game—it often is a game of inches that requires consistent persistent forward progress. **SBC**



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