

# CHANGE AND CHALLENGE – HOW RESILIENT IS THE UK CONSTRUCTION INDUSTRY?

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- ▶ Consideration of the findings of Project Five Consulting's report - 'The Organisational Resilience of the UK Construction Industry: Are We Built on a House Of Cards?' (**Report**).
- ▶ Organisational resilience is key in times of unprecedented political, technological and economic change.
- ▶ Insolvency figures indicate that the construction industry is not as resilient as it may think.
- ▶ What could help strengthen resilience in the UK construction sector?

## What's it about?

In essence, the Report considers:

- ▶ what organisational resilience is – "*the ability of an organisation to anticipate, prepare for, respond and adapt to incremental and sudden disruptions in order to survive and prosper*";
- ▶ whether UK construction businesses consider it important to their survival – on the whole, yes; and
- ▶ the reality of the situation - the construction industry consistently suffers higher rates of insolvency than any other UK industry.

The Report notes a number of areas in which the construction industry could make improvements in order to mitigate the risk of insolvency, and suggests, amongst others, adopting British Standard 65000 (BS 65000) which provides a model of resilience.

The Report also notes the lack of digital maturity in the industry (with it being ranked as only slightly better than the agricultural industry in this regard) and the benefits that could be reaped if digitisation is embraced.

## Why does it matter?

The construction industry is a major contributor towards the UK economy. Accordingly, the insolvency of construction businesses has major ramifications for the UK economy, with the collapse of Carillion being a stark example of that. Yet construction companies are more likely to fail than companies in other sectors of the economy.

The Report shines a light on the issues that the construction industry has faced for generations: low profit margins, adversarial relationships, sensitivity to macroeconomic events and skills shortages. The high risk low reward model only pays off for the few that have harnessed organisational resilience within their businesses. Generally, the Report paints a picture of an industry that is less resilient than others and one that is far less able to adapt in the face of adversity, with the main obstacle to the incorporation of organisational resilience being money.

Evidence also points to an apparent lack of knowledge of organisational resilience and insufficient management practices.

The key question is: **how does the industry promote organisational resilience across the sector?** The Report suggests that understanding and implementing organisational resilience is essential – the BSI model in BS 65000 provides a useful framework for businesses to adopt.

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Digitisation also has the potential to develop the industry through reducing human error in designing, pricing and executing works, anticipating issues through the use of decision making programmes that chart outcomes, reducing labour costs through automation, facilitating collaborative working by using cloud based information platforms that can be accessed by all stakeholders, and providing training tools for the development of management regardless of their location. There are numerous other ways that digitisation can assist, but in order to do so it must be developed, and embraced.

## What now?

The Report provides a number of recommendations for the industry to consider. We consider the following to be of particular importance:

- ▶ *"Develop industry-specific approaches which enable construction companies to identify and understand the external influences that threaten the sector";*
- ▶ *"Develop approaches to support leaders in construction to up-skill them and enable them to provide the strategic leadership required to drive organisational resilience"; and*
- ▶ *"Develop industry-specific approaches to enable construction businesses to build resilience into their plans and their business processes in line with the BSI's model and BS 65000".*

As the Report highlights, there are real benefits in industry leaders and the government coming together to discuss and develop the approaches suggested in the Report (in terms of training, further research to be used in anticipating factors that may affect the sector, developing digitisation and adopting BS 65000 etc.).

A stronger construction industry contributes towards a stronger UK economy, which is of benefit to us all. It remains to be seen if the Report can pave the way towards that goal.

## Who to contact



### SOPHIE CHRISTODOULOU

Associate

0113 209 2045

07850 095896

[sophie.christodoulou@addleshawgoddard.com](mailto:sophie.christodoulou@addleshawgoddard.com)



### KATIE MILNER

Associate

0113 209 2523

07872 675242

[katie.milner@addleshawgoddard.com](mailto:katie.milner@addleshawgoddard.com)

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10-22582815-1

addleshawgoddard.com

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